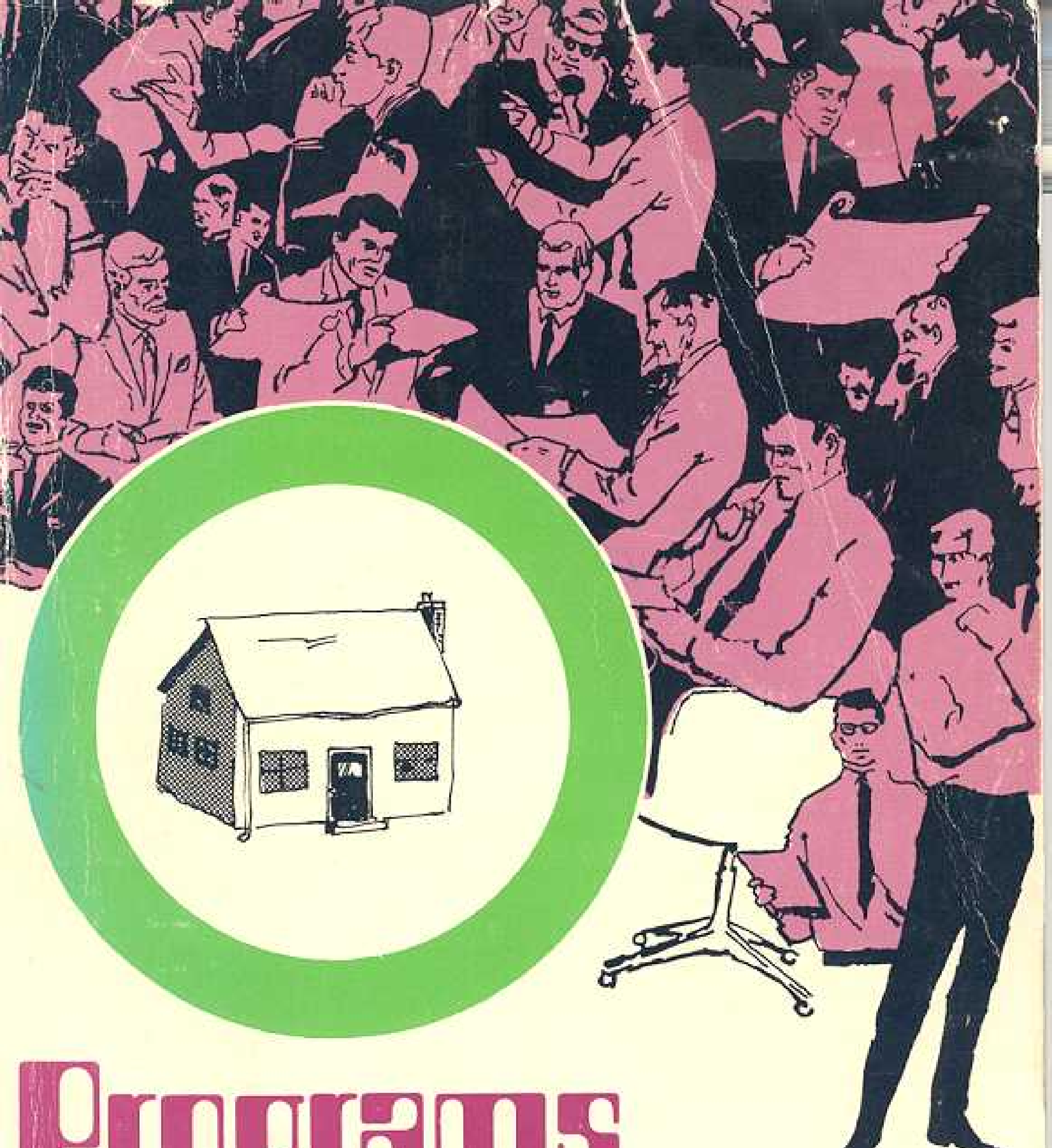

Programs in search of a policy

LOW INCOME HOUSING IN CANADA

MICHAEL DENNIS • SUSAN FISH

WHAT THE PRESS HAS SAID . . .

"The most astonishing thing about the Dennis report on housing . . . is that the government ever thought it possible or worthwhile to keep it quiet. . . . The real value of the study is to put forward a mass of detailed information and analysis which belongs just as much in the hands of the public as to the files of the government." – *Montreal Star*

"Some good may yet come from the $300,000 Dennis task force report on housing. But judging by the events of last week, the government must wish it had never heard of the young Toronto lawyer.

What Michael Dennis and his associates placed before the Central Mortgage and Housing Corp. is nothing less than a blue-print for the scrapping of existing federal policies. Moreover, the report disclosed confidential memos and evidence of buck-passing that has been going on for years." – *Financial Times of Canada*

"It's easy to see why the Liberal government steadfastly refused to release the report last April. The report asserts bluntly that 'the source' of the weakness of the country's low income housing policy is 'lack of political leadership' and cites the Government's 'continuous opposition' to CMHC pressure for an expended social housing program. It says progress has not been retarded by any lack of ideas, 'but by an unwillingness to act, to come to grips with the problem and to attack it systematically and comprehensively.'" – *The Ottawa Journal*

". . . the people who paid for the studies are not allowed to see the results – unless someone . . . digs them out.

Mr. Trudeau and his government should stop trying to hide these studies." – *The Edmonton Journal*

"Une 'patate chaude' pour le gouvernement Trudeau"
– *Dimanche-Matin*

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PROGRAMS
IN SEARCH OF A
POLICY

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LOW INCOME HOUSING IN CANADA

HAKKERT TORONTO 1972

Printed in Canada

Cover by R. Mitchell Design

SBN 88866-521-0

A. M. Hakkert
554 Spadina Crescent
Toronto 179, Canada

This study was written under a research grant to the authors made under part V of the National Housing Act. In April of 1972, the authors offered the study to Central Mortgage and Housing Corporation for publication. They have received no official indication from the Corporation of its intentions regarding publication.

On June 30, 1972, 3000 copies of the study were delivered to CMHC by its printers. Those copies have not been released. Pressed in the House to table the study, the Minister responsible for housing responded that it could not be tabled because it was not available in French.

Shortly thereafter, CMHC printed a 27 page pamphlet containing the first chapter of the study. That pamphlet did not receive wide distribution; it is available in limited quantities only from the CMHC Head Office and only to persons making a written request for it. Copies of the study manuscript were released to the press by David Lewis, the leader of the New Democratic Party, who accused CMHC of having destroyed all copies of the study. Despite the resulting publicity, the government continues to refuse to distribute the study, leaving that decision to CMHC. As CMHC remains unwilling to distribute copies, the authors have made their study available to us, and have revoked any permission which might allow CMHC to distribute it.

In view of the increasing public interest in the study, and in housing issues, and in view of an expected Dominion-Provincial housing conference and a tri-level urban affairs conference in the immediate future, we consider it imperative that this research, paid for by the taxpayers, be made available to the public.

PREFACE

This study was commissioned to provide background material for revisions of the National Housing Act in 1972 and for a possible complete rewriting of the legislation in 1973. The study was funded under Part V of the NHA. Approval to undertake the study was given by CMHC on January 28, 1971. Research was completed at the end of July, 1971 and a draft report was submitted to the Corporation in November of that year. This volume is a distilled, edited version of that report. When this study commenced, research was underway covering the urban renewal and sewage treatment programs, native housing and student housing policy. As a result those issues are only touched on in this study. In particular, problems of neighbourhood improvement and community services and facilities were outside our terms of reference. They are dealt with in the report of the Urban Assistance Study Group.

The research was divided into four areas: economic; institutional-administrative; production and design; social aspects. Economic research was directed by Donald Oke and institutional-administrative by Susan A. Fish. A report on production and design was prepared by Melvin Charney, Serge Carreau and Colin Davidson. Individual papers on social aspects were prepared by members of the study group. The group was chaired by Michael Dennis.

The final report was written by Michael Dennis and Susan A. Fish, with the exception of Chapter 3, which is the work of Donald Oke. A list of the principal participants in the study is set out at the end of this report.

With the limited time and resources at hand, field research was focused on one province in each of the five regions of the country. An analysis was made of the policies and programs of government institutions, of three levels of government, in Vancouver, Edmonton, Toronto, Montreal and Halifax, and of the interaction of those institutions with producers and consumers.

We wish to thank the staff of CMHC for their interest and assistance, particularly those in the regional and field offices who were so generous with their time and hospitality. Similar thanks go to the members of provincial and municipal planning and housing agencies who were most helpful.

Diana Cousens, Marie Giesbrecht, Helen Pelcis and Jill Vickers typed numerous drafts and redrafts of manuscripts, always willing to fill unreasonable requests.

We are grateful to Walter Rudnicki, Executive Director of the Policy Planning Division for his constant advice, support and cooperation and to our respective employers, Blake, Cassels and Graydon (in the case of Michael Dennis) and the Bureau of Municipal Research (in the case of Susan A. Fish) for giving us leaves of absence to undertake the study.

Michael Dennis, Susan Fish

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Summary

> Housing performance under the National Housing Act has been production-oriented rather than distribution-oriented, a quantitative operation qualitatively devoid of broad social objectives and economically inaccessible to many Canadians. The production of new houses should be a means to an end, not the prime policy objective.[1]

Housing policy in Canada has been directed solely at starts. Its aim has been to increase the total stock of "decent, safe and sanitary accommodation" to the point where there is sufficient adequate housing for all Canadians, demolishing substandard housing and replacing it wherever necessary.

Little or no concern has been shown for: the distribution of either the newly produced or existing stock; the price of that stock and the ability of consumers, and of low income consumers in particular, to afford it; the environmental quality of new housing produced; the condition of the existing stock, except for "slum housing" which would have to be destroyed and replaced; the right to free and dignified use by the consumer of his home.

Instead reliance is placed on the market to allocate the stock, set the price, determine the level of quality, and protection of the position of the low income housing tenant is left to the provinces. The only minor shift which has occurred to date has been the recent expansion in the last three years of the public housing and low rental housing programs, and a lesser attempt at assisted homeownership. Within those programs the emphasis is very much on quantity rather than quality. Units produced under these programs constitute a minute portion of the total housing stock (some 2 per cent) and come nowhere near meeting the need. The vast majority of low income households are left to the vagaries of the market.

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[1] *Good Housing for Canadians*, A Study by the Ontario Association of Housing Authorities (Toronto: 1964), p. 49.

This, despite recommendations to the contrary over the past 35 years.

For example, in 1935 a report warned:[2]

> The formation, institution and pursuit of a policy of adequate housing should be accepted as a social responsibility . . . There is no apparent prospect of the low rental housing need being met through unaided private enterprise building for profit . . .

In 1944 the next report noted:[3]

> The desire for better housing and better living standards generally is a post-war objective which is firmly rooted in the minds of people in all ranks of life. Construction work in the housing field can be of particular importance . . . as a productive vehicle of both public and private investment such as will be needed for full employment policy under peace time conditions. Canada has lagged behind the example of European countries, of Great Britain, and of the United States in providing greater governmental assistance for housing as a matter of welfare and public concern . . . Special attention, in the advance preparation of plans, should be given to low rental housing and farm housing, in which this country has had little or no experience to date . . .

In 1964, the theme recurs:[4]

> A constant claim of the proponents of 'pure' private enterprise that it could solve the housing problem should be considered against the evidence of an historic ineffectiveness . . . Private enterprise seems to be at its most dynamic level when protected by extensive loan guarantees and substantial borrower's equity and when properties are all sited in a bustling urban market.

Last year the Castonguay Commission again pointed out:[5]

> Reconnaître l'accès à l'habitation comme un droit universel implique donc une intervention directe de l'État dans toute cette industrie qui, encore aujourd'hui, dépend presque entièrement de l'entreprise privée. De même que l'universalité d'accès à l'éducation et aux soins a exigé que l'État prenne la responsabilité de ces secteurs à la place de l'entreprise privée, de même la reconnaissance de l'accès à l'habitation comme droit universel implique une intervention directe similaire dans les services d'habitation.

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[2] *Report of the Special Parliamentary Committee on Housing* (Ottawa: 1935).

[3] *Report of the Advisory Committee on Reconstruction* (Ottawa: 1944), Volume IV, p. 9.

[4] *Good Housing for Canadians*, *op. cit.*, p. 50.

[5] "The recognition of access to housing as a universal right implies a direct intervention by the State throughout that industry which, even today, depends almost entirely on free enterprise. Just as universal rights to education and welfare meant that the State had to assume responsibility in those sectors in place of free enterprise, then equally the recognition of access to housing as a universal right implies a similar direct intervention in the field of housing service." *Rapport de la Commission d'Enquête sur la Santé et le Bien-Etre Social* (Gouvernement du Québec, 1971), Volume 1, pp. 184-5.

Politicians and senior civil servants have consistently taken an opposite tack. In 1949, the Prime Minister of the country stated:[6]

> While we hope that as much of our new housing as possible can be provided through private and local enterprise, we recognize that privately initiated housing may have to be supplemented and stimulated by even further government support for low rental housing.

The Minister responsible for housing put the matter even more strongly in 1956.[7]

> It was the government's view, which I have stated publicly on a number of occasions, that we would be justified in using public funds for housing only where private enterprise fails to meet the need.

A senior civil servant and member of the Board of Directors of the Corporation elaborated on that position in 1957:[8]

> My main criticism of the statement is that it seems to assume that public housing is primarily an instrument of social policy to remedy directly the condition of those of the poor who are living in bad housing. Thus it . . . expresses the substantial preference for subsidized over full recovery housing . . . Public housing at this stage in Canada at least should be regarded primarily as an economic matter rather than as an instrument of social policy. . . We should not take tenants requiring the subsidy if we can avoid it.

The last clear statement of federal policy on the matter was that of the then Minister, in May of 1969.[9]

> We must, therefore, not only improve the operation of private markets in order to accelerate the total output of housing, but we must also stimulate the provision of modest accommodation for low-income people, augmenting it, if necessary, with what may be regarded as non-market devices in order to get a higher yield of new units out of the nation's housing efforts.

The refusal to act stems from an almost religious belief in the private market as the only fair and efficient mechanism for distributing society's resources. Even the social housing programs, which have received much publicity lately, are an afterthought, an appendage to the unguided, uncontrolled market system. No effort is made to plan for them, to determine the type, extent, location and magnitude of need. That would necessitate greater efforts, increased intervention, more interference with the private production process.

The only "planning" for housing has been done by financial officials, who have used housing as a short term stabilization tool. That overriding concern has been entrenched in housing policy. Nowhere is it clearer than in

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[6] *Speech*, Prime Minister Louis St. Laurent, April 1949.
[7] *Letter* from Minister to President, CMHC, June 8, 1956.
[8] *Letter* to President, February 12, 1957.
[9] *Notes for Statement on Bill C-192*, R. K. Andras, House of Commons, May 1969.

the constant reference to housing starts. Housing starts are an indicator of economic activity. Housing completions are the additions to the housing stock available to serve consumers. They are seldom referred to. Emphasis on aggregate goals, economic activity and private market decisions also explain the sacrifice of quality for quantity. Housing is an artifact, a product, a manufactured good. It is not viewed as a package of services, nor as a place where people live. Once the start has commenced, concern ends. Ongoing management and maintenance are irrelevant. Locational factors such as neighbourhood context, community services and facilities, and even interrelationships between units produced are ignored. Design is a secondary consideration, as are the rights of the user with respect to the good produced and its producer.

With the growth in social housing activity there are faint signs of change, but inroads against the dominant production mentality are slow.

THE HOUSING PROBLEM

For the last two or three years, federal policy makers have been concerned with whether there is a housing crisis or a housing problem or no problem at all. The most recent verdict is that there is no immediate housing problem, that there is an income problem for low income families likely to be displaced by redevelopment and unable to find satisfactory alternative accommodations and that policies restricting the development of raw land for housing may lead to a housing crisis in the future.[10] That position should be compared with the one taken by the Murray study in 1964:[11]

> Aside from its physical qualities, a sizeable segment of Canadian housing is economically troubled . . . The new housing production, whether for ownership or for rental, is completely out of reach of something better than one-third and something less than one-half of the population. The existing housing stock is almost equally inaccessible because of the combined effect of high prices and inadequate financing terms.

The situation has not improved. In 1967 approximately 400,000 low income households spent on average in excess of 40 per cent of their incomes for shelter alone. When household operation, telephone, furnishings and equipment are added, the percentage is more than 50. 800,000 low income households spent on average in excess of 25 per cent of income for shelter alone, and 1,200,000 spent on average in excess of 20 per cent of their incomes for shelter.

Somewhere between half a million and one million buildings (with the data at hand, no better guess can be made) probably require rehabilitation simply to bring them up to the standard of decent, safe and sanitary accommodation. They either lack heating, plumbing and electrical systems or have faulty ones or are in need of structural repairs. Perhaps $\frac{1}{3}$ to $\frac{1}{2}$ of these units

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[10] *Urban Problems & Prospects*, Research Monograph 2, "Housing in Canada" (Ottawa: CMHC, 1971), p. 19.
[11] *Good Housing for Canadians*, *op. cit.*, p. 58.

are in rural areas and small towns where the annual cost of shelter may not be a problem, but incomes are too low to permit the necessary investment to upgrade the housing.

About 1,000,000 low income households are tenants. That number is likely to increase by more than 50 per cent over the next decade. These tenants are not only plagued by high shelter-to-income ratios and poor physical conditions, but also do not have the security of tenure and the freedom to use their homes in a reasonable fashion that low income owners possess. Most of them are on month to month leases and are subject to arbitrary control by their landlords. Although there have been improvements recently in provincial landlord and tenant legislation, landlords' attitudes have not changed and a precarious economic position and sense of powerlessness prevent the poor from asserting the rights which they do have.

The majority of low income households are located in city centres or in rural areas where community services and facilities are lacking. In cities, they are frequently located in industrial or commercial areas where noise and air pollution are high. Newer government low income programs have located them on the fringes of developing areas which are devoid of community facilities.

EQUAL ACCESS TO DECENT HOUSING

That is the rough picture, in absolute numbers. The relative position is even worse. If one compares the shelter-to-income ratio for the bottom 20 per cent of the income distribution with that of the average family, the bottom group spend twice as great a proportion of their income for shelter. When the comparison is made with the top quintile, the bottom group spend 2½ times as much. If one looks at renting households only, the situation is even worse, with the bottom 20 per cent spending three times the proportion which the top group spends.

Similarly the poor are much more likely to live in older housing which is in need of structural repairs or lacks essential plumbing or heating facilities. In 1961, those in the bottom quintile were three times as likely as the average household to be living in a unit in need of major repair and eight times as likely as the top quintile. They were almost twice as likely as the average, and almost four times as likely as the top quintile to lack adequate heating systems.

HOUSING AND POVERTY

Housing poverty is partly a function of low incomes. It is also a result (as are the low incomes themselves) of having the status of a poor person. Societal attitudes ensure that the rewards go to the producers, to those who make the economy grow. Those who cannot produce, or can no longer produce, the elderly, handicapped, single parent families, rural families get the residue after the producers have been rewarded.

To a considerable extent this results from the shared attitudes of public decision-makers and producers. Equally important is the unequal access of the poor to the decision-making process. Public agencies — particularly

housing agencies — provide limited information about policies and practices, except to producers who are actively sought out for participation and voluntarily supplied with information.

Middle and upper income consumers are only beginning to organize themselves to participate in housing decisions. Better education, superior financial and technical resources, available time, and social-psychological characteristics are far more likely to result in quickly organized, independent initiative activity by them. The poor are not accustomed to exercising control over their own lives and are far more likely to feel a sense of powerlessness in the face of public decisions.

HOUSING AND INFLATION

The country and its government are very concerned about inflation. In an effort to combat that malady a substantial level of unemployment has been created.

Construction generally and residential construction in particular play a substantial role in inflationary processes. Housing has a weight of one-third in the Consumer Price Index, the bellwether in the fight against inflation. The shelter component in the Consumer Price Index has increased by over 50 per cent in the last decade. The gross debt service on new NHA bungalows has increased by 136 per cent during that period. Construction wages have increased by 74 per cent. Land prices in the period increased by two-thirds. Since 1950 they have quadrupled. Interest rates on NHA loans increased by 50 per cent from 1961 to 1970. And property taxes on new NHA houses more than doubled over the last decade.

It is clear that housing price inflation hurts those on fixed incomes, like the elderly. Their incomes have not risen as fast as housing costs, nor have the incomes of those receiving welfare. The middle income group appear to be relatively better off in that housing costs and incomes have increased at the same rate. But with costs rising at an equal rate, the middle group seeks more income. The inflationary spiral follows.

Government response has been to turn off the money tap when inflation gets too hot. That simply leads in the housing field, to another round of inflation; initiated by demand pull and carried on by cost-push. The classic example was the response to monetary policy in 1965-66. The effect of the cutback in funds was to reduce the supply of rental dwellings, increase the price and worsen the housing situation for those at the bottom of the economic ladder. When the money supply was expanded, a resurgence of demand occurred, prices were bid up and another round of inflation in the housing sector began.

In 1970 the government attempted to avoid the creation of housing shortages as a by product of stabilization policy. More than $400 million of additional funds were poured into social housing programs. Shortages have been avoided and in most cities vacancy rates are at acceptable levels. But two years later housing price inflation is back with a vengeance. The additional funding was sufficient to protect the residential development industry from the price corrections which would otherwise have occurred.

The existing tools for dealing with housing price inflation are too blunt. They create shortages and simply postpone inevitable increases. There has been no national attempt to devise new techniques for dealing with housing price inflation since the rent controls of the Second World War. Present day policy discussions have not advanced beyond the possibility of instituting similar wage and price controls, another set of blunt, temporary measures which attempt to confine market forces rather than restructure them.

HOUSING AND EMPLOYMENT

In 1944 it was expected that housing would be a key tool in the kit of a full employment policy. No attempt has been made to give effect to that expectation. Instead housing has been used as a tool for overall economic stabilization, providing increased employment when the economy is slack and reduced employment when a decision is taken to take the steam out of the economy. It is only recently that a quantitative goal for housing starts has been established, but it is aimed solely at housing requirements, without consideration of the employment effects.

THE PRODUCTION OF ADEQUATE HOUSING

Housing built during the last 15 years tends toward higher densities, a limited range of standardized accommodation, reduced variety, limited common facilities and a segregation of unit types. What is being built at present is largely the same kind of housing as that produced at the beginning of the period. New low income housing resembles the form of housing for any other sector of the population made cheap by tight costs, reduction in size, and poor sites.

In all housing, the form of the dwelling units is determined by the economics of building, rather than by user needs. The user is fitted into what can be built. Federal policy has promoted the construction of low density suburban homes, neglecting the development of alternate forms of higher density urban housing. Little attempt is made by the builders and no attempt is made by CMHC to determine user response to the existing models. CMHC's Residential Standards have had limited effect on housing form. Their function has been to regulate and prevent blatant defects, rather than promote improvement and innovation. The review procedures are essentially policing actions.

The building industry will not substantially improve its product or innovate without government intervention. Building firms are becoming larger and more bureaucratic. Their primary concern is the development and marketing of land. The profits made on the construction side are minimal, land profits are high. The developer attempts to contain costs by standardizing the product and producing housing which simply meets the administrative requirements of the lenders and the rigid planning requirements of municipalities, and thereby allows him to make his land profits as quickly and on as large a scale as possible.

The real capacity to innovate is found in the sub-contractors who do the actual construction. The majority of large builders now subcontract out

more than three-quarters of the work done. Subcontractors are becoming increasingly more productive, but are not growing in size. Contractual arrangements leave them completely dependent on the builder-developer and prevent the harnessing of their innovative capacities.

MUNICIPAL PLANNING AND LAND AVAILABILITY

Municipalities also view their role as that of policemen, i.e. approving authorities. Within the context of zoning and subdivision control bylaws they respond to developer applications. Those bylaws are frequently aimed at keeping out even moderate cost housing to protect the municipal tax base.

Similarly, problems of rapidly increasing expenditures and a weak tax base have led municipalities to abandon their traditional function of servicing raw land to be made available for residential construction. By default that function has passed to builder-developers, who initially undertook it to assure themselves of a supply of serviced land on which to build and now continue it because it is far more lucrative than their construction operations.

Increased land acquisition and servicing costs, together with lengthened holding periods pending planning approval, have multiplied the holding costs of the land to the point where substantial sums of capital are required. As a result, in most metropolitan centres some half-dozen builders control the majority of the land in the path of immediate development. A large number of multinational corporations, many of which are British and American, have recently entered the land development business. In other cases financial institutions have invested in land development companies or joint ventured with builder-developers.

Municipal inability to service enough land, combined with rapid population growth and oligopolistic development patterns have caused land prices to rise rapidly. From 1950 to 1970, the price of single family lots quadrupled. In the 1960's they increased by two-thirds, in 1971 by 15 per cent. Builders are predicting similar increases in the next several years.

In the next decade, an increased proportion of all housing will be built in metropolitan centres. Almost twice as many units will be built there as in the 1960's (almost 2 million as compared with 1 million). At least three quarters of them will be built in suburban municipalities with weak tax bases. In the absence of fiscal transfers from the senior levels of government to help pay for servicing and community facilities, municipal dependence on private developers to pay those costs will increase and with that increased dependence there will be a continuing rapid growth in land prices.

Programs

The present method of dealing with low income housing problems consists of three programs: a public housing program, with deep operating subsidies, run on a shared cost basis; an entrepreneurial and non-profit low rental housing program, with preferred lending rates and virtually break even, controlled rentals; and a variety of assisted homeownership programs, provincial and federal.

I. PUBLIC HOUSING

This is the only program serving the lowest income group. Study findings reveal that the physical aspects of the program have improved considerably since the report of the Hellyer Task Force. Nevertheless, we recommend the abandonment of the program, at least in its present form, for the following reasons:

(1) New housing produced solely for the poor bears an inevitable stigma, given existing social values. This is seen in the attitudes of tenants, surrounding neighbours, program administrators and politicians.

(2) The program involves very deep subsidies. 1970 subsidy levels were approximately $1,000 per unit and by the end of the decade, if they grew at *half* the present rate, would be $2,500 per unit.

(3) Cost considerations limit the number of units produced. At present production levels there would be 250,000 units available by the end of the decade. There are presently about 1.2 million low income households paying in excess of 20 per cent of their incomes for shelter. By the end of the decade, the number will be closer to 2 million. If production were increased by 250 per cent to 50,000 units per year, only one-quarter of the need would be met with subsidies of approximately 1.25 billion dollars per year.

(4) Cost factors also limit decisions on location and design. Public housing sites are frequently marginal and corners are often cut on construction to hold down costs. The result is the production of less than satisfactory living environments which will be with us for a considerable period of time.

(5) Decisions regarding need are taken by public intermediaries, not by the housing consumer. The intervention of public middlemen means that the most serious need is frequently excluded. For example:
The bulk of the units have gone to the Province of Ontario, which is best able to afford the cost-shared subsidies;
Only 14 per cent of units have gone into urban centres from one to thirty thousand in size, which have one-third of the urban population. Virtually none have gone into rural areas.
Some municipalities refuse to accept public housing or request only token amounts.
Most provinces have limits, explicit or implicit, on the number of welfare families which can be admitted to any project. Other examples of "creaming" (i.e. selecting more desirable, less problematic families) can be found.

(6) Despite federal initiatives aimed at improving public housing management, there has been little progress in this field over the last several years. The societal and administrative attitudes noted above impede the development of skilled, sensitive management.

II. ENTREPRENEURIAL FULL RECOVERY HOUSING

In 1964, dissatisfied with the results of the program, CMHC in effect shut it down. In 1968 the program was restored, but the same problems have returned to haunt it. They include:

(1) Poor, marginal locations;

(2) Inadequate site planning and facilities;

(3) A propensity for one and two bedroom, high-rise units in what is nominally a family housing program;

(4) Underutilization of approximately one-third of all units, and "creaming" out of undesirable tenants;

(5) Increased income limits. In its early years, the program was competitive with public housing. Today the program starts where public housing leaves off. The result is a substantial gap in the groups which can be served by the two programs.

(6) Heavy-handed management over which the federal government exercises no control;

(7) Funding at a level which does not begin to meet the need;

(8) A big-city bias, similar to that found in the public housing program. Only 9 per cent of all units have gone into centres of less than 25,000 people.

III. NON-PROFIT HOUSING

The non-profit housing program has funded, for the most part, municipalities and service clubs providing housing for senior citizens. The expectation of the federal government was that the provincial governments would make capital cost contributions and the municipalities might provide land more cheaply and/or tax abatements. Without that further assistance the program cannot serve the really low income elderly. As the federal government makes no contribution towards subsidies for non-profit housing, the provinces are now moving towards use of cost-shared public housing for elderly persons. Non-profit operators of senior citizens housing are subject to criticism from the elderly for charging more for the units than public housing does. Similar problems of location, design, etc. exist in this program, but are easier of solution in some cases, because municipalities, churches, etc. supply better sites, and because high-rise, high-density projects can be employed. Little research has been done on the suitability of very high-density projects for the elderly.

In the last several years, attempts have been made by non-profit groups to use the program to provide housing for families and unattached individuals (both single and middle-aged). The responses of the federal government have been hesitant and uncertain.

IV. ASSISTED HOMEOWNERSHIP

The federal government steadfastly avoided involvement in programs to assist low income households to own homes until the last three years, although its lending programs have long shown a bias toward ownership for the upper half of the income band.

Federal opposition to assisted homeownership has rested on considerations of cost, protection of the activities of private lenders and an unwillingness to subsidize the acquisition of assets by low income consumers (as distinct from high income producers).

A number of provinces initiated programs which were aimed at the lower middle and middle income groups. The latter, confronted with rapid price inflation, found themselves unable to afford new housing. In most provinces, provincial efforts were a response to the resultant pressures.

To its credit, the federal government, in its $200 Million program, aimed at a lower income group, in effect the top half of those eligible for public housing. The results parallel those in the entrepreneurial full recovery rental program:

(1) Reduced costs resulted from substantially reduced quality. In a number of cases corners were cut, units were finished poorly, space standards were reduced drastically, project amenities were minimal;

(2) Locations were poor, on the fringes of cities;

(3) Purchasers were small, young, upwardly mobile families who probably could have afforded to buy in a couple of years at any rate;

(4) Income limits were frequently revised upwards, as builders claimed to be unable to produce or find purchasers at lower levels;

(5) Almost all units were produced in major centres, because of the emphasis on the need for a large volume of starts in a short period of time.

V. COOPERATIVE HOUSING

The Curtis Committee Report in 1944 pointed to the European experience and clearly anticipated a substantial cooperative housing effort. During the 1950's the federal housing agency supported the activities of building cooperatives, self-help groups which built single family dwellings for individual ownership. No support was given to continuing cooperatives, non-profit groups which wanted to build multiple projects to be owned collectively and rented to individuals. They were denied preferred lending rates under the full recovery section of the Act on the basis that they were really developing a form of homeownership. There was concern that loans to them would open the door to claims for preferred lending rates by individual homeowners.

Legislative provisions requiring that the Corporation be satisfied that at least 80 per cent of the units in the project will be occupied by members of the cooperative have been interpreted to mean that no advances can be made on loan commitments until 80 per cent of the members have been signed up as

shareholders and accepted as borrowers. Difficulty in meeting this requirement virtually precluded the development of cooperative housing.

Opposition to cooperative housing within the Corporation has arisen because of basic philosophic differences. This is best seen in the statement of one of the Corporation's Policy Advisors.[12]

> "Home is a very private thing and anything to do with one's own private affairs is best kept independent and separate from the friendly contact with neighbours . . . I can't think of anything more likely to jeopardize this kind of stability of family life than becoming involved in a venture of cooperative housing."

That attitude continues to prevail despite the recent development, supported by CMHC, of condominium housing, which mixes homeownership with an interdependent, high density life style.

The Corporation has funded a national Cooperative Housing Foundation and then left it to the cooperatives to stand or fall on the rules of the marketplace. It has refused to change its general policies adopted fifteen years earlier.

Cooperative housing associations have developed at the provincial level, with assistance from the provinces, and at the project level with help from labour unions, cooperative financial institutions and churches. With changes in program requirements and real governmental support, the prospects for production at a meaningful level are quite good.

VI. REHABILITATION

The federal government's initial policy prescription for deteriorated housing was clearance and replacement. Under pressure from the households to be cleared and displaced, this changed to an emphasis on partial clearance, together with rehabilitation and conservation of existing dwellings. Very little rehabilitation was carried out under urban renewal schemes before that program was shut down. For improvement in urban housing, reliance was placed on guaranteed home improvement loans by banks. These served the middle income group and have fallen off drastically in the last decade.

CMHC lacks the legislative tools to tackle the rehabilitation problem. It was not until 1969 that it was empowered to lend directly for home improvements under the NHA. No loans have been made specifically for home improvements (as distinct from improvements made when an existing unit is acquired) under the 1969 changes.

Even under that legislation it cannot lend at interest rates below its own borrowing rate nor make grants to low income households. Experience has shown that low income households cannot afford to and will not incur further debt to upgrade their housing.

While the Corporation put forward specific proposals in 1965 and 1968 to deal with the housing problems of rural families no action has been taken on them. The only rural rehabilitation ongoing today results from grants

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[12] *CHMC Memorandum*, October 11, 1963.

under the Canada Assistance Plan and the FRED program in Prince Edward Island. Yet one-third of the units needing rehabilitation are in rural areas.

LAND ASSEMBLY AND LAND BANKING

Rising land prices are a major culprit in housing price inflation. Those prices have quadrupled in the last 20 years. Increased land and servicing costs have pushed residential land development and planning into the hands of small groups of large developers.

Over the years, public assembly and development of land has constantly been recommended as a solution to the twin problems of price and planning — most recently by the Hellyer Task Force. CMHC was the earliest proponent of that policy, during the early 50's, but faced with strong builder opposition to interference with the private land market, and the spectre of substantial expenditures to get past the Department of Finance, it retreated. With the wide latitude for administrative discretion allowed it under the NHA it established a number of program guidelines which limited the effectiveness and value of the program.

In the late '60's the provinces, particularly Ontario, became interested in carrying out large scale banking operations and sought federal funding. On grounds of cost, they were refused.

Over the last twenty years funds advanced for land assembly purposes amounted to less than 2 per cent of the amount lent for housing under the NHA. With limited land acquisitions, the program has not been used to control housing prices, and frequently has had the effect of supporting them.

GOVERNMENT ORGANIZATIONS AND THEIR ROLES

Pressure for low income housing programs has come from the ground up, from interested citizens groups and municipalities. Until 1964 none of the provinces betrayed real interest in the public housing program. The federal government initially developed the federal provincial public housing partnership arrangement to force provincial participation in what was considered an area of provincial jurisdiction, to provide a buffer from direct involvement with municipalities, and to contain costs to the federal government. In1964 the public housing loan provisions were enacted, permitting loans to provinces and municipalities. It was expected that responsibility for project development and implementation would thereby be devolved to the municipal level. In most jurisdictions this has not worked out and the provinces have assumed control of the program or are about to do so.

Under either arrangement, one of the senior levels is effectively responsible for project planning and development and the other retains a power of veto. Under the partnership arrangement the federal government, together with the municipality does the planning, with the province (in effect) reserving the right to disapprove, primarily on the basis of cost. In the case of the loan provisions, the federal government retains a similar right of individual project approval.

In neither case has the system worked smoothly. At no level of govern-

ment has there been even mid-term planning for the number, type, distribution, quality, etc. of the units produced. The familiar pattern is seen: there is a problem, starts are required, any kind will do. In the absence of policy guidelines, approval authority is exercised on the basis of ad hoc decisions, depending on the policy of the administrators and Ministers of the day. The planning problem is compounded by the failure of the federal government to commit funds for social housing for more than one year.

Municipalities have not played a significant role in low income housing. Their limited initial role has been cut back by increased provincial activity, programs requiring financial contributions from local governments squeezed between rapidly growing expenditures for urban services and revenue growing much more slowly, and the organizational structure of local governments. Small size of councils, election at-large of council members, two-tiered governments with housing responsibility at the upper non-elected level, and a multiplicity of special purpose housing agencies, all shelter municipal councils from the political heat of housing problems.

Recommendations

Canada has had social housing programs on its statute books for over 30 years. It is only in the last 3 or 4 years that they have had life breathed into them. Until then, complete reliance was placed on an assisted free market to produce enough adequate new housing that there would ultimately be sufficient decent dwelling units for all Canadians. When it finally became apparent that decent housing simply would not filter down to those at the bottom quickly enough (if ever), social housing programs received greater funding.

Faith in aggregate goals and private production and operation of housing remained paramount. Social housing only amounted to some 15 to 20 per cent of total annual construction and to an annual increment in the total stock of .7 per cent in the last three years. Government intervention was carefully segregated from overall market operations. The philosophy of minimal intervention at the tail end of that market has assured the failure of new production programs and has caused the defects discussed previously.

New and radical solutions need not be developed to deal with low income housing. Very few new proposals are put forward in this study. The necessary changes have been recommended time and again over the last three decades. For example, in 1944, the Curtis Committee recommended that the government plan for the necessary volume of production for the next five years, to be distributed evenly over each third of the income distribution, that public non-profit or cooperative housing production be relied upon to meet the needs of the bottom third, and that steps be taken to improve housing conditions in rural areas and centre cities.

In 1964 the Murray report recommended the production over the next 20 years of 2 million units of either public housing or full recovery housing for the bottom 40 per cent of the income band, the promotion of cooperative and

non-profit housing, the development of a federal housing department which could take the lead in comprehensive planning for housing.

In 1965 the Advisory Group of CMHC made a number of progressive recommendations. These included: assisting homeownership through long-term low-interest rate loans in rural areas; abandonment of the entrepreneurial limited dividend housing program; 100 per cent loans coupled with capital grants for housing to be provided by non-profit corporations; assumption by the federal government of an increased share of public housing subsidies; grants in aid for the establishment and organization of non-profit housing agencies; grants for rehabilitation in rural areas, economically depressed regions and fringe urban areas; the grouping, in one division of the Corporation, of responsibility for all low-income housing programs, public and private.

In 1969 the Hellyer Task Force recommended: that all urban residential land be developed and marketed by municipalities and that federal loans be made for that purpose; that social housing programs only for the poor be terminated; that subsidies be paid to people, rather than attached to buildings; that cooperative and non-profit housing programs be expanded.

Most of those recommendations are repeated, reworked, and elaborated on in this report. Real progress has not been retarded by an absence of ideas or understanding but by an unwillingness to act, to come to grips with the problem and to attack it systematically and comprehensively. Governments must be prepared to establish the goal of decent housing for all Canadians at a price which they can afford and make whatever changes are necessary in the mechanisms for producing, maintaining and distributing housing to see that that goal is met.

The simple fact that the majority of the poor will live in existing older housing must be accepted. Then the problems which that situation presents for them must be analyzed and attacked. Separate policies must be developed to cover their difficulties in respect of income, housing price, housing quality and community services and facilities. They must be developed within the context of a plan to deal with national housing requirements and the cost, quality and distribution of all housing, both new units produced and the existing stock.

INCOME REDISTRIBUTION

Unit subsidies will not have the effect of ensuring that all low income households are able to acquire decent housing for an expenditure which represents a reasonable proportion of their low incomes. It is simply too difficult, both politically and administratively, to attach the necessary subsidies to 1.2 million units today or to 1.6 to 2 million units in 10 years.

The alternative is to expect low income households to remain in the existing stock and to increase their incomes and thereby reduce expenditure burdens. We would prefer to see that done by way of a guaranteed annual income. The political decision has been taken that the country cannot afford

to finance that program at this time. As an alternative, we recommend the payment of a shelter allowance to low income households.

That allowance could take two forms. It could be an annual payment, made in advance, to all low income households, regardless of their actual expenditure burdens, amounting to the difference between the average shelter-to-income ratio of households in that income range and 20 per cent of income. Or it could be a rebate, paid after the event, of the difference between the income actually spent and 20 per cent of income.

A rebate program would cost about $700 million per year for 1.4 million households, an average of $500 per household. A generalized allowance program would cover about 2.4 million households and could cost up to twice as much.

The data are only now becoming available (from Statistics Canada surveys) with which to fully develop either program. The choice appears to depend upon whether it is politically necessary to connect the program directly to housing, in which case a rebate scheme would be used. It also depends on how close the country is to a guaranteed annual income, as a shelter allowance paid in advance would be more easily converted into a guaranteed annual income.

Whichever device is used, the results will be superior to building subsidies. Using existing housing, per unit subsidies will be cheaper. That will make a universal program possible. Relief will be immediate and will not be tied to the number of units produced or acquired annually and the capital available for acquisitions. Nor will it depend on the willingness or ability of government or non-profit intermediaries to construct new stock, nor of municipalities to accept social housing. Governments will not be locked into subsidies for fifty years. And low income households will not be locked into projects in which they must reside to claim their subsidy. They will be able to remain in existing neighbourhoods or move into new ones as they desire. Similarly, project segregation will no longer be necessary and a broader mix of income groups will be possible.

HOUSING REHABILITATION

Similarly, if all Canadians are to live in decent housing, we cannot simply rely on the construction of new dwellings to replace existing substandard units. For that to happen, as many as one million new units *in excess of* those required to meet new household formations would have to be built in the next decade.

Those new units would not necessarily be produced in the areas where substandard housing exists. Particularly in rural areas and small towns, faced with declining populations and therefore high security risks, substantial amounts of new construction are out of the question, when what is required for the most part is the upgrading of existing units. Even in areas of high growth, the expense of tearing down existing units and rebuilding is out of all proportion to the cost of rehabilitation.

We therefore recommend a large scale rehabilitation program, to

bring as much existing housing as possible to a state where the structural and building systems perform adequately. Because the low income group will not undertake additional debt, we suggest universal grants to homeowners and small landlords of ⅔ of the cost of providing adequate heating, plumbing, wiring and structural systems, for all buildings having a useful life of fifteen years. The grants would not be restricted to specific areas as the need is widely scattered. In designated centre city assistance areas and rural development areas the grants might be increased to 4/5 of cost.

For larger landlords, or for small landlords who so prefer, we recommend the provision of preferred interest rate loans, coupled with code enforcement. All loans or grants to landlords would be in consideration of agreements not to increase rents for a period of 10 years, except to cover increased taxes and operating costs. Grants should also be made available to municipalities or non-profit groups purchasing existing larger rental projects and operating them on a non-profit basis.

In order to conserve the existing stock and improve it home improvement loans should be made at preferred lending rates to low income homeowners and to landlords prepared to agree to control rents for a ten year period.

To encourage the use of the programs and the unassisted improvement of residential areas, steps must be taken to stabilize centre city neighbourhoods. The importance of centre city locations as sites for new housing, particularly in the three largest centres, has declined constantly during the last ten years, to the point where in 1971 only 10 per cent of all starts in Metropolitan Toronto, 16 per cent of those in metro Montreal, and 21 per cent of those in the Vancouver region were in the centre cities. The bitterness and dislocation created by centre city redevelopment are not worth the minimal increment to the housing stock.

The federal government should (as it did with urban renewal) freeze all further funding under the NHA of private centre city redevelopment in excess of 50 units, while it reviews the costs and benefits of that process.

NEIGHBOURHOOD SERVICES AND FACILITIES

Low income neighbourhoods should be improved by the provision of community services and facilities as recommended in the reports of the Task Force on Urban Assistance and the Urban Assistance Sector Team of the CMHC Policy Planning Division.

When new social housing projects are built, the social, recreational security and other service requirements of low income households become obvious. While they remain in their existing neighbourhoods, they are invisible. Just as programs are needed to bring the physical housing standards of the low income up to a reasonable average, so substantial expenditures are necessary to bring the level of neglected municipal services up to the standard enjoyed by the average household in the municipality.

PRICE AND DISTRIBUTION OF NEW PRODUCTION

Stabilization policy, intended to cool off inflation, has in fact simply postponed

it. Higher interest rates are built into long term housing debt. Consumers are driven out of the market temporarily, but quickly return to bid up prices. (Frequently, they are cajoled and implored by governments to do so, to buy the country's way out of a recession.) That, in turn, results in increased prices for the factors of production.

To eliminate that cycle, it is necessary to ensure a sufficient, steady production of housing, to meet annual increases in housing requirements. If continuing efforts are to be made at stabilizing the economy, they should not be at the expense of the housing sector.

While steady growth of the housing stock will alleviate some of the demand-pull aspects of housing inflation, steps should also be taken to deal with cost-push. We recommend a major land assembly and banking program, coupled with changes in tax policy, to deal with rising land prices. We recommend that municipalities be given access to other revenues to reduce dependence on the property tax, a tax on consumption with a rate of 20 to 25 per cent. We recommend the intervention of the appropriate Departments of Labour to police increases in wage rates which have far outspaced those in other manufacturing activities. We recommend a sizeable expansion in direct government lending, to make cheaper money available for housing purposes.

At present, some 15 to 20 per cent of new production goes into low and moderate income housing. The remainder is directed at the upper two-fifths of the income distribution. We recommend that in the coming decade, some 45 per cent of new construction be federally funded and directed to the low and moderate income groups. That end can be achieved in one of two ways — by lending to municipal and non-profit groups at preferred lending rates (1) for the construction of full recovery housing, to be rented at controlled rentals, to serve the lower and middle income levels, some of the low income groups obtaining access by means of the proposed shelter allowance; or (2) if the shelter allowance is rejected, for the construction of units for the same groups, with subsidies provided for units occupied by the low income group. Projects would have to serve this broad income range to avoid the stigma of low income housing. Subsidies could be by way of interest rate write-down, capital contribution or present operating loss subsidies. The first two put the risk of increased operating expenses on the owner-manager of the project, and would probably lead to creaming and perhaps a failure to maintain the project adequately.

We have already stated our clear preference for demand subsidies. On the supply side, we propose the construction of one million urban non-profit full recovery units over the next decade and two hundred thousand rural and small town assisted homeownership units. The program would rise from 85,000 to 90,000 units in 1972 to 1,400,000 units in 1981.

A floor would be placed under social housing production ensuring that that was the minimum number produced in a given year. Social housing production would be protected, both to meet quantitative housing goals and as part of an anticipated full employment policy.

The program should greatly increase access to decent housing for the lower income group. In the short run, shelter allowances will allow access to new construction for some of them. Moreover, as incomes rise and rents on units produced remain steady, those at the very bottom of the income distribution will be able to afford 10 year old non-profit units. This influx, in the middle of the market, of from ⅓ to ½ of the total urban low and middle income rental stock should have the effect of creating a true filtering process. Units aimed at the top of the income pyramid do not trickle down to the bottom quickly enough. Aiming at the middle of the income band should result in a greater turnover of units for the low income group.

It would also slow down the rate of housing price inflation. Firstly because the price of that one million units will be controlled. Secondly because that new production will permit "price leadership" for older existing units. Thirdly, because it would be combined with a program of land banking and taxation to control the increase in land prices.

Cost reductions can also be achieved by moving from the production of suburban detached houses to medium density multiple projects to house families. The reaction of the building industry to an increased need for family units will be to produce suburban bungalows — profits are higher on the more expensive units and more expensive buildings are felt to be necessary to justify high land prices. Public lending combined with non-profit construction will greatly increase government leverage to affect the kind of unit produced. That will result not only in reduced construction cost per unit, but in substantial reductions in the cost of community infrastructure.

The long term benefits are also important. In 30 or 40 years the housing can be paid for in full. Rather than paying for the acquisition of an asset by a landlord or individual homeowner, the amortization component of the rental payment is directed towards the acquisition of social capital, which when paid for can be pooled with newer housing stock to reduce the rents on it.

ASSISTED HOMEOWNERSHIP

It is these combined effects of controlled housing costs and long term acquisition of social capital which lead us to propose a substantial non-profit rental program rather than an assisted homeownership program. Homeownership is inherently inflationary (in the absence of meaningful capital gains taxes). Each owner treats his purchase as an investment and looks forward to a substantial capital gain over time. That gain results from the process of urbanization and increased production costs. It is a gain on the capital cost of the unit rather than the owner's investment, which may be minimal. It is a gain which does not accrue to those who can afford only to rent, although they frequently pay an equivalent amount for their shelter.

At a time when the growing trend is toward the production of multiple rental accommodation, the federal government is about to sponsor, after years of opposition, a program of assisted homeownership for low income households. Such sponsorship flies in the face of changing life styles, increased

mobility, opposition to expressways and urban sprawl, and the efforts to lessen the gap between the status and tenurial rights of owners and tenants.

We therefore recommend that assisted homeownership programs involving new production be limited to rural areas and small towns, where rental forms of tenure may be unacceptable and housing price inflation is less of a problem.

MUNICIPAL PLANNING

Some changes in municipal planning will be required to ensure the success of such a strategy. Most suburban municipalities have, at present, almost completely zoned out medium density family development. They are concerned, as noted above, with the municipal expenditures required for a family household as compared with the revenues generated by the property tax. This leads to zoning provisions requiring single family dwellings, larger lots and larger units to increase the property tax base and therefore revenues.

Municipalities must be persuaded to assume more direct responsibility for the type, quality and cost of housing produced. A prerequisite for such a role is the release of municipalities from the financial squeeze in which they find themselves, so that they can move from tax planning to community planning. That requires either (1) assumption of responsibility for part of present municipal expenditures by the senior levels; or (2) provision of increased revenue sources to municipalities, probably by giving them a share of income taxes; or (3) conditional grants which would cover the taxes forgone by the reduction of minimum requirements that lead to inflated costs.

If more than lip service is to be paid to the development of local capabilities, it seems clear that increasing municipal revenue sources unconditionally is the preferred choice.

LAND POLICY

A key problem will be assuring an adequate supply of suitable land for a social housing program. We noted above that most of the land in the immediate path of development is held by speculative builder developers and that the land provided under the existing programs has been marginal.

To deal with that situation and with rapidly increasing land prices, a large scale land banking program is recommended. It would entail the acquisition of a sufficient supply of land to meet all urban residential requirements for a ten year period, although the land would be marketed over a longer period of time (at least twenty years). The public land banks would market from one quarter to one half of the land required in any given year and thereby set the pricing pattern. They would be in a position in any given year to flood the market and depress prices.

Land acquisition would occur both in the centre city and in developing suburbs, although most of the land would be suburban. Use could be made of existing governmental holdings.

The program would be combined with changes in the tax system, removing hidden subsidies for land development and imposing heavier taxes

on land development profits and thereby reducing speculative pressures and returning to the public domain profits resulting solely from the process of urbanization.

The land banks would also provide the sites needed for social housing projects. Large scale public planning of new neighbourhoods, integrating housing for various income levels and other mixed uses would be facilitated. Municipalities would have to plan for future housing needs, rather than merely react to developer proposals.

SOCIAL HOUSING DEVELOPERS

The housing would be developed and operated by cooperatives, non-profit institutions, service clubs, community groups, municipalities (and provinces where the municipalities were unwilling or unable to act). The entrepreneurial program, which has demonstrated little concern with user needs and does not permit the long term acquisition of social capital, would be phased out.

COOPERATIVE AND NON-PROFIT HOUSING

Recommendations for the development of a substantial cooperative housing program, both middle income and low rental, were first made by the Curtis Committee in 1944. It noted:[13]

> Because of the nature of the undertaking, the period of previous education and preparation, and the environment of the project once it is established, there is a strengthening of the ideals of neighbourliness, self help and mutual aid. In individualistic house-building, the social value of community effort is neglected if not actually discouraged.

It went on to recommend the enactment of special sections dealing with middle and low income cooperatives, financial assistance in the development of cooperative organizations, and public funding where funds are not available from credit unions and societies.

In 1965 the Advisory Group of CMHC made similar recommendations[14] with respect to non-profit housing companies and housing agencies for low income housing. It proposed 100 per cent loans to non-profit corporations, grants in aid of public and private housing agencies concerned with initiating, coordinating and supporting programs of housing for low income people, to alleviate the considerable difficulties involved in organization and financing and embarking on the responsibilities of management. It suggested that the Corporation both help develop effective agencies in each community to offer expertise to low income groups and itself directly provide services of consultation and technical aid. We repeat those recommendations. CMHC should:

(1) Make 100 per cent loans to cooperative and other non-profit institutions and groups;

(2) Provide seed money for organization and development;

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[13] *Advisory Committee on Reconstruction*, Volume IV, *op. cit.*, p. 269.
[14] *Report to the President*, November 12, 1965.

(3) Provide technical expertise directly, through the establishment of independent advisory bodies, and by funding groups to directly hire the necessary expertise.
(The Corporation does presently provide funds for activities falling under items (2) and (3). The scope must be expanded greatly.)

(4) Adopt internal procedures which make it far more accessible and receptive to those groups. It must cultivate them in the same way as producers. A full flow of information on policies and programs must be established.

(5) If the shelter allowance proposal is not adopted, make subsidies available for non-governmental non-profit housing and require a broad income mix.

To the extent that these non-profit groups can not supply a sufficient number of units, we recommend that the function be undertaken, whenever possible, at the municipal level. It has been national policy since 1938 to allocate responsibility to that level of government which is closest to the people affected, is in the best position to understand the needs and to plan for and observe the implications of the decisions which are taken. We recommend that the housing function be undertaken directly by the municipalities, rather than by the creation of municipally-sponsored non-profit corporations, in recognition of the essentially political nature of the decisions involved.

If municipalities assume responsibility for the housing of the lower three-fifths of the income band, they may change their perspective on disputes between area residents and private redevelopers seeking to clear existing lower cost areas and redevelop them for luxury use.

HOUSING QUALITY

Hopefully, if social housing is no longer aimed at the poor, its environmental quality can be improved. Attempts to build housing which is "just good enough for the poor" will be abandoned. Pressure from the middle income group will result in better locations, improved design and more responsive management.

Housing policy must, however, move beyond reacting to such pressures. A National Housing Inventory must be developed, covering the cost, condition, form, etc. of existing low and moderate cost housing. Comprehensive reviews and evaluations of existing low income housing projects, both those built under the NHA and others must be undertaken, so that those planning new projects can consider the successes and failures of existing ones, and not have to reinvent the wheel.

We recommend the development and adoption of a National Environmental Code on Good Housing to which projects directly financed by CMHC must conform and which provinces might be persuaded to adopt. The Code would be developed from a functional analysis of user requirements and be correlated to performance criteria for dwellings and residential environments.

It would deal with subjects not covered or poorly covered by the National Building Code: standards for dwelling amenities in housing; standards for the grouping of dwellings in residential areas; guidelines for the homebuilding industry relating the above standards to homebuilding processes.

HOUSING INNOVATION

As well as developing new criteria for project approvals, the federal government must take the lead in developing new housing forms and ways of improving the built environment. We suggest that the federal government build innovation into its programs. This should not be done by way of massive, special programs like the 1970 $200 Million program or the recently publicized $40 Million demonstration project in Longueuil. Rather, it should aim at a large mix of small projects with modest, clearly defined aims. Advance notice and ample opportunity must be given to provinces and municipalities to enable them to prepare and adapt their own requirements. Equal stress should be placed on process as product, both governmental planning and approval processes and the organization of the building industry. Preference should be given to non-profit groups, municipalities, smaller builders, subcontractors, etc. Reliance should not be placed on large builders who have demonstrated their reflex response to calls for innovation.

The Corporation must be prepared to waive some of its own operating requirements and standards. It set aside $100 Million for innovative projects this year and was able to disburse only $11 Million. In part, failure to relax standard procedures accounts for the limited success. It can also be explained by the difficulty faced by the groups suggested above in attempting to innovate without the necessary resources and expertise to organize and prepare plans.

A broadly based, small scale, user-oriented program, harnessing existing know-how and expertise, entails far less risk than grandiose Operation Breakthroughs and Demonstration Projects.

GOVERNMENT ROLES

Whether programs of deep unit subsidies or of full recovery housing coupled with shelter allowances are adopted, we see the role of the federal government as primarily one of planning, program development, research, experimentation, coordination. Our review of a number of programs makes it clear that their major defects (both at the federal and provincial levels) stem from a lack of clearly stated goals and a failure to monitor implementation to determine the degree to which stated goals have been achieved.

Rather than continue the present system of project planning by one level of government and approval by another, we recommend that the federal government enter into block lending agreements, similar to those made with Quebec, allowing the provinces to lend money for social housing purposes without individual project approval by the federal agency. Little is given away under the proposal as federal leverage under the existing funding arrangements is minimal.

It would be a condition of the agreement that the province submit a plan for social housing within its jurisdiction, that the plan conform to broad national housing goals, and that before the next agreement was signed for block lending the provincial government would table in its legislature an evaluation of the housing program and its success in meeting its goals.

The federal government would commit funds for a five year period, conditional on the province meeting its own objectives. If periodic reviews showed that it was not meeting them, funding would be frozen at previous levels (although not cut off) and the federal government could run a competing lending program. Those provinces which did not want responsibility for the lending program could continue to avail themselves of CMHC's services. The provinces would, however, still be expected to develop housing goals, to which CMHC lending in the province would adhere.

They would not be afforded the luxury of the present partnership arrangement, where CMHC develops projects for them which they are free to veto. That arrangement would be abandoned.

Block lending would be conditional on the provinces being in a position to offer the same level of services to the public as CMHC offers. Provinces might choose to accept block lending for some programs and not others. All direct federal lending in the province would have to meet both the national housing goals and the stated provincial objectives.

The federal government should encourage the provinces to learn the lessons of its experience and to avoid the pitfalls of a highly centralized, passive approving authority position. Government owned social housing should be built by municipalities. Provinces should be encouraged to make similar block loans to the larger, more sophisticated municipalities which are capable of planning and implementing their own programs. We recommend, as an added incentive to such decentralization, that loans for housing to be built by the provinces cover two-thirds of the capital cost of a project and that loans for projects to be built by municipalities cover the entire cost.

The federal government will have maximum leverage in adopting national housing goals and entering into block lending agreements to achieve those goals if the program does not involve the sharing of subsidy costs. Such sharing per se entitles each party to an equal voice and leads to the veto positions mentioned above.

If a shelter allowance were adopted, then there would be no question of cost-sharing (only one of loan-value ratios). In that case we recommend that the federal government bear the entire cost of the shelter allowance program, on the basis that it has the most progressive tax base for income redistribution purposes and that the program has strong aspects of regional equalization for which the national tax base is again most suited.

If unit subsidies are continued, we would again recommend that the federal government bear the entire cost, for the same reasons.

If that is found to be unacceptable for either income supplements or unit subsidies, then we recommend that an equalization formula be built into the cost-sharing arrangements. When that was first proposed in the middle

1960's, the suggestion was rejected on the basis that the matter was best dealt with within the framework of general equalization agreements, not specific programs. However, we have seen some dissatisfaction at the recent federal-provincial meeting with the workings of general equalization formulae, and a feeling that progress resulting from such transfers cannot be measured and may not exist.

We therefore suggest that general equalization be frozen at existing levels and that any increases be built into specific programs. If both the federal and provincial governments establish clear, complementary goals, then the usefulness of the transfers can be weighed when the programs are evaluated.

PARTICIPATION

Participation by consumers, particularly low income consumers, is specifically political. Politics — political decisions determine the distribution of resources in society, the distribution of power. To the extent that participation by low income consumers may lead to redistribution demands, it is political, but no more so than the participation of high income consumers or producers who may demand a different redistribution or support the present distribution of resources and power. Refusal to fund low income groups or seek their active participation on the grounds that the groups and their goals are "political" is patently unacceptable, particularly in the present system that simultaneously maintains and encourages the participation of other groups equally concerned with "political" ends.

Largely for analytical purposes, participation may be broken down into two major categories: policy-oriented and direct action. Although there is nothing to prevent a given group from participating in both respects, there is a tendency for groups to focus on one or the other. Although both require similar changes from the administrative structures, it is useful to distinguish the two to avoid submerging the potentially more thorny policy participation in the rush to promote direct action.

Policy participation is, as the name implies, participation in the traditionally political field. It is the area — opponents of participation will suggest — that is reserved for the public sector, the elected and appointed officials charged with securing the public good. Within this context, community groups and their members (low income or otherwise) can vote, organize election campaigns, stand for office, make briefs and deputations, lobby, appeal decisions, etc. And increased activity in this regard is something to be encouraged.

To limit the policy participation to group-initiated, external contact discriminates in favour of the policy participation of producers. The expert, commercial interests — the producers — are well-represented on a wide variety of policy making and advisory bodies; consumers are systematically excluded. The resulting elitist, closed-system pattern of policy making must be broken and the demands for policy participation by low income consumers recognized as a legitimate counter balance to the policy participation of producers.

Participation by direct action means assuming part or all of the roles played by both the public housing agencies and the commercial producers. Direct action means participating in the delivery of the service.

Direct action takes a variety of forms, depending upon the nature of the group, its housing circumstance, and the kind or extent of resources available to the group. Thus to a public housing tenants' association, direct action may mean tenant management, to a neighbourhood group it may mean planning and overseeing a major rehabilitation project, to a service club it may mean providing senior citizen housing, to a labour union it may mean a cooperative housing venture.

The particular form of participation should be left to the particular group. What must be recognized, however, is that the vast majority of housing programs have been tailored for delivery by either the public sector or the commercial sector. The different needs, priorities, and possibilities for action of the private non-profit sector may well require a full re-thinking of programs and their requirements. Not to do so would again be to place a de facto ceiling — and with present requirements it would be a low one — on direct action participation.

HOUSING, POLITICS, AND GOALS

In closing, we note that the source of Canada's weak low income housing policy over the last two decades has been the lack of political leadership. At both the federal and provincial levels, autonomous crown corporations were created and left to their own devices. No attempts have been made to define national or provincial housing goals. Worse yet, repeated pressure by CMHC for an expanded social housing program, over a ten year period from 1956 to 1966 was resisted by the federal cabinet and its senior policy advisers. During that period the Corporation advocated an increase in the volume of low income housing produced, increasing the share of subsidies borne by the federal government, the establishment of a substantial non-profit housing sector, devolution of authority to provinces and municipalities and a number of other recommendations repeated in this report.

Faced with continuous opposition, it appears to have abandoned its initiative position. This has occurred at a time when there has been a substantial increase in low income housing produced. Faced with both quantitative and qualitative changes in the nature of the problems confronting them, neither the federal nor provincial governments have put themselves in a position to do strong, strategic, anticipatory planning.

To reach such a position the fiction must be rejected that housing decisions centre on what are essentially technical, banking issues. The issues of who gets what, where, when and how are political. We recommend that at both the federal and provincial levels social housing should be a departmental responsibility. (That recommendation was made by the Glassco Commission in 1963, the Ontario Association of Housing Authorities in 1964, the Hellyer Task Force in 1969.) Greater political involvement than a periodic check into the affairs of a crown corporation is required.

The crucial political task is the definition of the goals of a national housing policy and the monitoring of the economic and social systems and evaluation of programs to ensure that those are met.

As an initial statement of housing goals, we propose:

(1) Providing equal access to decent housing for all Canadians;

(2) Controlling housing price inflation;

(3) Improving the environmental quality of all housing;

(4) Conserving and upgrading the existing stock;

(5) Maximizing the dignity and freedom of choice of the individual housing user; and

(6) Creating a decision-making process that is both open to user input and whose locus of authority is as close to the user as possible.

Chapter 2

The Housing Problem: National Housing Requirements and Low Income Housing Need

Until 1968, the Canadian government had no announced housing goal. That year, for the first time, an objective was stated publicly: the production of one million units in the next five years.

Production goals are adopted on the assumption that all Canadians will be decently housed if a sufficient number of units are produced that there is one adequate dwelling for every Canadian family. The size, type, location, price range etc. of the new units is not particularly important. The market will determine those issues. As long as enough new housing is produced for those who can afford it, they will move out of existing satisfactory dwellings, making them available to those with lower incomes. A chain of such moves will take place, resulting in the availability of cheaper, decent units for low income households.

That theory has not worked. Perhaps as many as one third of all Canadian households are badly housed, in the sense of living in housing in need of substantial repairs, in neighbourhoods with inadequate community services, in overcrowded dwellings, in housing which is too expensive for their means, in rental projects where they have inadequate control over their own living environments.

There is no doubt that enough housing must be produced that there is enough adequate housing for all Canadians. But there is more to that process than producing new units for the upper income group and letting the market distribute the rest. This chapter examines national housing requirements in terms of total production required to move towards the goal of an adequate unit for each household and then considers the problem of housing adequacy from the perspective of the low income group.

National Housing Requirements

On the basis of DBS Population projections, CMHC staff have estimated that in 1981 the population of Canada will consist of approximately 25.6 million people forming 8.2 million households. That constitutes an increase over esti-

mated 1971 figures of approximately 4 million people and 2.1 million households. Allowing for vacancies and the need to replace deteriorated or demolished housing, they estimate that about 2.5 million new units will have to be produced over the next decade.

Table 1

HOUSING REQUIREMENTS — 1971 TO 1981

Item	*Estimates* 1971–1976	1976–1981
Marriages	216.7	250.2
Net Migration of Families	16.5	16.5
Deaths of Married Persons	80.7	89.3
Divorces	17.6	22.6
Net Family Formation	134.9	154.8
Undoubling	7.5	6.0
Net Non-family Household Formation	56.0	60.1
Net Household Formation	198.4	220.9
Net Replacement Demand	21.3	26.9
Vacancies	10.0	10.0
Total Housing Requirements	229.7	256.9

Tables 2 and 3 show a breakdown of projected population by province/region and by age group. More than half the increase is expected to take place in Ontario, and about one-fifth each in British Columbia and Quebec. A tremendous increase is expected in persons aged 25 to 39, which presages an increase in the number of family formations and in the amount of new family housing required. There will also be considerable increases in the number of persons aged 55 to 64 and over 65. That is the group with perhaps the most serious housing problem.

Table 2

POPULATION OF CANADA BY AGE GROUP — 1951 TO 1986
(000's)

		ACTUAL		
Age	*1951*	*1956*	*1961*	*1966*
0-14	4,250.7	5,225.3	6,191.9	6,591.8
15-24	2,146.6	2,291.4	2,616.2	3,299.0
25-34	2,173.9	2,414.4	2,481.1	2,483.4
35-44	1,867.7	2,139.8	2,389.8	2,543.1
45-54	1,406.4	1,611.9	1,878.5	2,078.2
55-64	1,076.9	1,154.1	1,289.4	1,479.7
65	1,086.3	1,243.9	1,391.2	1,539.5
Total	14,009.5	16,080.8	18,238.2	20,014.9
		SERIES B		
Age	*1971*	*1976*	*1981*	*1986*
0-14	6,433.1	6,330.7	6,647.4	7,621.5
15-24	4,041.8	4,554.8	4,720.6	4,288.1
25-34	2,915.3	3,672.7	4,379.5	4,916.4
35-44	2,574.3	2,635.5	3,032.6	3,802.3
45-54	2,317.8	2,508.7	2,531.7	2,563.5
55-64	1,721.1	1,925.5	2,147.4	2,328.6
65	1,707.6	1,916.7	2,188.8	2,454.3
Total	21,711.0	23,544.6	25,648.0	27,974.7

NOTE: Series B assumes medium fertility and net immigration of 100,000 persons per year.
SOURCE: J. Kirkland, *Demographic Analyses of Household Formation for Canada and the Provinces 1956 to 1986* (Ottawa: CMHC, 1971), p. 9.

Table 3

PROJECTED* POPULATION OF CANADA BY PROVINCE/REGION — 1966 - 1986 (000's)

Province/Region	1966	1971*	1976*	1981*	1986*
Newfoundland	493	521	538	558	580
Prince Edward Island	109	110	111	112	114
Nova Scotia	756	765	762	761	760
New Brunswick	617	623	615	609	604
ATLANTIC	1,975	2,019	2,026	2,040	2,058
QUEBEC	5,781	6,073	6,401	6,773	7,177
ONTARIO	6,961	7,813	8,781	9,885	11,110
Manitoba	963	983	996	1,014	1,035
Saskatchewan	955	938	918	902	884
Alberta	1,463	1,628	1,782	1,959	2,155
PRAIRIES	3,381	3,549	3,696	3,875	4,074
BRITISH COLUMBIA	1,874	2,206	2,580	3,002	3,470
CANADA	20,015	21,711	23,545	25,648	27,975

SOURCE: 1966 — Census of Canada.
*Projected — Based upon Series B. DBS, 1970.
SOURCE: Kirkland, *op.cit.*, p. 14.

On the basis of studies done by the Economic Council of Canada, all of that projected increase will take place in metropolitan centres and in centres of from 50,000 to 100,000 which reach the designated size of metropolitan centres (100,000 persons) by 1981. The Economic Council's projections seem to indicate a shift of in excess of 4.4 million persons from rural areas and smaller centres to metropolitan centres. A study done for the Minister of Housing and Urban Affairs, The Urban Future, indicates that 70 per cent of that population growth will take place in the present 19 metropolitan centres.

Table 4

TOTAL POPULATION, CENSUS METROPOLITAN AREAS PROJECTED TO 1981

	Actual	(000's)		Projected	
	1961	1966	1971	1976	1981
(1) Calgary	279	331	363	398	437
(2) Edmonton	338	401	444	487	536
(3) Halifax	184	198	212	231	255
(4) Hamilton	395	449	500	559	626
(5) Kitchener	155	192	224	257	293
(6) London	181	207	230	253	279
(7) Montreal	2,111	2,437	2,746	3,126	3,126
(8) Ottawa	430	495	548	610	680
(9) Quebec	358	413	460	509	562
(10) Regina	112	131	143	155	169
(11) St. John's	92	101	105	109	113
(12) Saint John	96	101	106	114	123
(13) Saskatoon	96	116	129	145	159
(14) Sudbury	111	117	123	132	144
(15) Toronto	1,825	2,158	2,478	2,863	3,309
(16) Vancouver	790	892	990	1,102	1,229
(17) Victoria	154	173	196	219	244
(18) Windsor	193	212	231	253	280
(19) Winnipeg	477	509	536	574	620
Total	8,377	9,643	10,764	12,096	13,626

SOURCE: Goracz, Lithwick and Stone, *The Urban Future* (Ottawa: CMHC, 1971), p. 60.

Table 5

TOTAL POPULATION AND URBAN AND LARGE CITY SHARES BY REGION

	1961			*1966*			*1970 Projected*			*1980 Projected*		
	Total Pop. (000's)	*Percentage Share*		*Total Pop. (000's)*	*Percentage Share*		*Total Pop. (000's)*	*Percentage Share*		*Total Pop. (000's)*	*Percentage Share*	
		All Urban	*Large City Centres*		*All Urban*	*Large City Centres*		*All Urban*	*Large City Centres*		*All Urban*	*Large City Centres*
Atlantic Provinces..	1,897	50	15	2,009	52	14	2,083	54	19	2,299	57	25
Quebec............	5,259	74	50	5,748	77	52	6,110	80	55	7,165	86	65
Ontario...........	6,236	77	48	6,871	79	55	7,454	81	58	9,008	86	71
Prairie Provinces...	3,179	58	37	3,410	61	43	3,590	64	45	4,144	73	54
British Columbia...	1,629	73	53	1,832	75	53	2,012	77	53	2,441	81	53
CANADA.... ...	18,201	70	44	19,870	72	48	21,249	75	51	25,057	81	60

NOTE: Excludes population of the Yukon and Northwest Territories. Urban centres are those with 1,000 persons and over; large city centres are those with 100,000 persons and over.

SOURCE: Economic Council of Canada, *Fourth Annual Review* (Ottawa: Queen's Printer, 1967), p. 186.

Table 6 demonstrates the increasing share of the population which has gone into cities from 100,000 to 500,000 and from 50,000 to 100,000. It also calls attention to the steady proportion held by cities of from 1,000 to 25,000 in size. Growth rates in those centres have fallen off considerably, although fed by people leaving the farms, they continue to grow slightly in size.

Table 6

GROWTH PATTERNS OF INCORPORATED COMMUNITIES

Size	No. of Centres	% Increase yr-yr eg.51-56	% of Pop.	Size	No. of Centres	% Increase yr-yr eg.51-56	% of Pop.
Over 500,000				Over 25,000			
1951	2		12.1	1951	43		33.2
1956	2	5	11.1	1956	50	15	33.5
1961	2	5	10.2	1961	70	25	36.8
1966	2	1	9.4	1966	83	19	40.0
100,000-500,000				1,000-25,000			
1951	8		11.2	1951	691		20.4
1956	9	21	11.8	1956	784	22	21.7
1961	10	22	12.5	1961	852	12	21.5
1966	12	29	14.7	1966	878	6	20.8
50,000-100,000				Under 1,000			
1951	9		4.2	1951	1,049		3.1
1956	12	31	4.8	1956	1,039	3	2.8
1961	17	47	6.2	1961	1,039	—1	2.4
1966	26	53	8.7	1966	1,057	2	2.2
25,000- 50,000							
1951	24		5.7				
1956	27	16	5.8				
1961	41	54	7.9				
1966	43	.4	7.2				

SOURCE: *Canada Year Book 1971*, p. 223.

That distribution of population has affected the location of all new housing starts. The proportion of all housing starts located in metropolitan centres has climbed from 57 per cent in the period from 1955 to 1959, to 62 per cent in the period from 1960 to 1964, to 68 per cent in the period from 1965 to 1970. It would appear, taking into account past production patterns and projected population increase, that by 1981, 75 to 80 per cent of all new housing will be built in metropolitan areas.

Table 7

METROPOLITAN STARTS AS A PROPORTION OF ALL CANADIAN STARTS — 1955 - 1970 (%)

1955	57	1963	66
1956	56	1964	66
1957	54	1965	67
1958	60	1966	67
1959	58	1967	68
1960	54	1968	71
1961	57	1969	69
1962	66	1970	66

SOURCE: CMHC, *Statistical Handbook*, unpublished, Series A.

Most of the increase in population will take place in the suburbs and on the fringes of the metropolitan centres, as has occurred in the past decade. Table 8 indicates that trend.

Table 8

POPULATION INCREASED BY PER CENT FOR METROPOLITAN AND URBAN AREAS — 1961 - 1971 BY CENTRE CITY VS. SUBURBS

		Per cent Change 1961-1971	
		Centre	*Suburbs*
1	Montreal	0	67
2	Quebec	6	58
3	Hamilton	12	55
4	Kitchener	47	43
5	Ottawa-Hull	2	14
6	Sudbury	12	109
7	Toronto	4	66
8	London	31	438
9	Windsor	13	223
10	Winnipeg	—9	38
11	Edmonton	35	270
12	Victoria	—89	34
13	Vancouver	10	60

SOURCE: CMHC, Policy Planning Division.
(Not adjusted for intercensal changes in metropolitan boundaries.)

The U.S. National Commission on Urban Problems (Douglas Commission) has estimated that in that country, by 1985, 89 per cent of all metropolitan population growth will be in the suburbs. Some small Canadian metropolitan centres continue to grow in size, but in most of the larger ones, less than 10 per cent of population increases occurred in centre cities over the last decade. (Table 8 has not been adjusted to reflect intercensal changes in metropolitan boundaries. However, as the boundaries of most centre cities have not changed, and alterations consist mostly of annexation of fringe areas, the Table gives an indication of the very slow growth in centre cities and the much more rapid growth in the suburbs.)

Similarly, the great majority of new metropolitan housing will be built in the suburbs. That was the pattern of the last decade. For the 16 metropolitan centres in which centre city-suburb breakdowns are possible, 62 per cent of all new housing was built in the suburbs from 1961 to 1971. That percentage is understated, as in several cities, like Edmonton and Halifax, annexations have extended the centre city to include what in other areas would be suburban municipalities. In the large cities, the percentage was even higher, 68 per cent in Montreal, and 84 per cent in Toronto. By 1971, only 10 per cent of Toronto starts, 16 per cent of Montreal starts and 21 per cent of Vancouver starts were in centre cities. With increased demand for low density family housing, and with vacant centre city land virtually non-existent the trend to suburban housing will continue to increase.

During the 1960's, approximately 1,000,000 units were built in Canada's metropolitan areas. Less than two-thirds of those dwellings, about 650,000 in all, were built in the suburbs. In the next decade, about 1.8 million units will be built in centres with more than 100,000 people. With a likely continuation

Table 9

HOUSING STARTS, METROPOLITAN CENTRES, CENTRE CITIES VS. SUBURBS — 1961 - 1971

	Dwelling Starts				*Proportion of Starts*				*Total Starts***		*Proportion Total Starts 1961-1971*	
	1961		*1971*		*1961*		*1971*		*1961-1971*			
	Centre	*Suburbs*	*Centre*	*Suburbs*	*Centre* %	*Suburbs* %	*Centre* %	*Suburbs* %	*Centre*	*Suburbs*	*Centre* %	*Suburbs* %
Montreal	8,422	8,782	3,469	18,816	49.0	51.0	15.6	84.4	88,499	186,776	32.2	67.9
Quebec	674	2,573	2,195	6,079	20.0	79.2	26.5	73.5	11,388	40,741	21.9	78.1
Hamilton	1,381	886	3,229	2,179	60.9	39.1	59.7	40.3	27,630	21,274	56.5	43.5
Kitchener	814	584	2,173	1,732	58.2	41.8	55.7	44.4	16,357	14,997	52.2	47.8
Ottawa-Hull	3,611	2,689	6,556	4,585	57.3	42.7	58.9	41.4	45,288	28,911	61.0	39.0
Sudbury	624	*	2,567	1,194	—	—	68.3	31.7	7,974	3,844	67.5	32.5
Toronto	2,826	14,824	3,172	29,991	16.0	84.0	9.6	90.4	49,883	256,578	16.3	83.7
London	1,742	57	5,151	41	96.8	3.2	99.2	0.8	30,842	674	97.9	2.1
Windsor	311	215	1,911	303	59.1	40.9	86.3	13.7	11,702	3,495	77.0	23.0
Winnipeg	1,206	2,981	1,299	6,427	28.8	71.2	16.8	83.2	13,097	40,917	24.2	75.8
Edmonton	4,423	139	9,451	1,835	97.0	3.0	83.7	16.3	63,602	6,441	90.8	9.2
Victoria	307	972	1,340	1,762	24.0	76.0	43.2	56.8	10,117	13,893	42.1	57.9
Vancouver	2,368	3,220	3,311	12,242	42.4	57.6	21.3	78.7	46,586	85,209	35.3	46.7
Halifax	931	434	2,425	126	68.2	31.8	95.1	4.9	15,545	4,179	78.8	21.2
Saint John	274	287	771	277	48.8	51.2	73.6	26.4	3,957	2,401	62.2	37.8
St. John's	145	107	183	1,039	57.5	42.5	15.0	85.0	1,950	6,086	24.3	75.7
Total Metro	30,059	38,750	49,203	88,628	43.7	56.3	35.7	64.3	444,417	716,416	38.3	61.7

* No data available.
** Sudbury Total 1962-1971.
SOURCE: CMHC, Policy Planning Division.

of the growth in the proportion built outside the centre cities, with vacant centre city land filled up, and with a growing need for family units, at least three-quarters will be suburban. That is, *more than twice as many units will be built in the suburbs of metro centres in the 1970's as were erected there in the 60's.*

These trends also have great significance for the form of housing which will be produced. In 1966, 63 per cent of all Canadian dwellings and 54 per cent of all metropolitan units were owner-occupied, predominantly single family dwellings. In the last decade, under the pressure of rising costs (particularly land costs and interest rates), demand for non-family units and municipal planning practices, there has been a shift from single family units to apartments in metropolitan centres. Table 10 demonstrates that trend over time. In the last five year, 69 per cent of units produced in metropolitan areas were in apartment or row form, while 84 per cent of all units produced in centres of 10,000 or less were single family in form.

Table 10

PROPORTION OF ALL UNITS IN APARTMENT AND ROW OR SINGLE FAMILY FORM IN METROPOLITAN CENTRES AND CENTRES OF 10,000 OR LESS — 1962 - 1970

	Metropolitan Centres		Centres Under 10,000	
	Apartment or Row %	Single %	Apartment or Row %	Single %
1962	46.4	53.6	4.8	95.2
1963	56.0	44.0	8.4	91.6
1964	61.0	39.0	12.2	87.8
1965	63.1	36.9	11.6	88.4
1966	54.4	45.6	10.9	89.1
1967	62.7	37.3	13.8	86.2
1968	70.5	29.5	13.3	86.7
1969	70.4	29.6	18.0	82.0
1970	70.5	29.5	19.8	80.2

SOURCE: CMHC, *Statistical Handbook*, unpublished, Series A.

To summarize — over the next 10 years, we will need approximately 2.5 million new units to accommodate 2.1 million new households. If present trends continue, 90 per cent of the increase in population will take place in Quebec, Ontario, and B.C. Almost all of the population increase will occur in cities of 100,000 in size or ones which during that decade reach that size, although population shifts will continue from rural areas to smaller centres and from smaller centres to cities of from 25,000 to 100,000. By the end of the decade more than 80 per cent of all new units will be produced in metropolitan centres. From one-third to two-fifths of all units will be required in Montreal, Toronto and Vancouver. Almost all of the population growth and new housing development will occur in suburban areas, although some non-family units will be built in centre cities. The great majority of units built will be apartments and row housing and will be tenant-occupied.

Low Income Housing Need

The traditional measure of a nation's housing need, at any point of time, is the number of new units which must be built to ensure that every household has decent, safe and sanitary accommodation. To arrive at that total, one adds the number of units which must be produced to replace existing substandard ones (usually defined as units "in need of major repair"), to allow doubled-up families to move into a dwelling of their own, and to provide an acceptable level of vacancy in the stock. Once enough standard quality units exist, a nation's housing problems are solved. Table 1 contains CMHC's estimate of housing requirements of 2.5 million new units over the decade, arrived at by the traditional approach.

That is the view of national housing need as seen from the top, by Canada's housing planners. From the bottom the low income housing resident sees things differently. He needs housing which he can afford. He needs a warm house in winter, with a furnace that works regularly. He needs decent neighbourhood services and facilities like police, garbage collection, parks, which help make his home a decent place in which to live. And if he is a tenant, he needs security of tenure and protection from the exercise of arbitrary power by his landlord. Those needs are not peculiar to Ontario, Quebec and British Columbia. They are not peculiar to metropolitan centres, nor to the suburbs of those centres. Market directed housing production will result in almost all new housing being produced there. Badly housed rural families will be able to find an adequate unit in Toronto. People with excessive shelter costs in small town New Brunswick can move to Montreal. Those are the ramifications, for low income households, of volume production goals.

In this section, we attempt to outline the parameters of the problem from the perspective of low income householders. Low income is not defined here in terms of a poverty line, a subsistence level below which all households are poor. Rather, we focus on the bottom two quintiles, or fifths, of the income distribution. The most recent comprehensive data which are available, for 1967, would put the cut-off for the bottom 40 per cent of all families at $6,000 and of all unattached individuals at $2,000. The preliminary data available to us from 1969 DBS surveys put the cut-off point for the bottom 40 per cent of all households (both families and unattached individuals) at $6,000. For families alone, it would be about $7,000.

The income distribution approach was chosen for a number of reasons. Problems of housing condition, price and tenurial form extend beyond the poverty lines usually adopted. In fact, the existing federal low income housing programs, public housing, entrepreneurial full recovery housing, and the special assisted homeownership programs, all serve households with incomes up to $6,000. In the near future, it appears that some of them will serve the third quintile as well.

Secondly, dividing the income bands into fifths permits the comparison of housing condition and expenditure burdens of the different income groups, and thereby the determination of the relative degrees of access to decent housing

and the costs imposed in achieving that access. Thirdly, it allows us not only to make comparisons between groups at one precise moment but over periods of time as well. Use can be made of census data and sample surveys taken at different periods, relating the observations to roughly the same group of households.

The focus is on relative degrees of access, not absolute poverty, because with limited though important expections, Canada

> . . . does not have a poverty problem if poverty is taken to mean absolute real standards of living. Our problem is not absolute standards of living but relative standards of living. Our problem is not physical sufficiency but relative sufficiency.
>
> The relative nature of the problem can be seen from several perspectives. First, our official poverty lines exceed average real incomes in many, if not most, of the other countries around the world that we would all describe as rich. Second, whenever budget calculations are made as to the minimum budget that would be necessary for healthy physical survival, the sums are so small, and the manner of living is so different from the typical manner of living that physical sufficiency is quickly rejected as inadequate.
>
> To say that our domestic problems are relative and not absolute is not to make the problems any less acute. Most evidence indicates that our sense of satisfaction and deprivation comes more from our relative position in the distribution of living standards than it does from our absolute position. The only exception is when you have not yet reached physical sufficiency.
>
> In a similar manner, in housing the problem is not one of providing adequate protection against the elements, but distributing the different qualities of housing across the population. Is housing equitably distributed or is it inequitably distributed? How do we judge? If inequitably distributed, what programs are necessary to equitably distribute it? These are the questions.[1]

WHO ARE LOW INCOME?

The majority of households in the first two quintiles are small households headed by a person forty-five years of age or older. 86 per cent of those in the first quintile and 52 per cent of those in the second have two persons or less. 69 per cent of those in the first quintile and 51 per cent of those in the second quintile are headed by persons over forty-four. 42 per cent of those in the first quintile and 21 per cent of those in the second quintile are headed by persons over sixty-five. The upper three quintiles are younger households, predominantly families with children. Only 25 per cent of all families with children are found in the first two quintiles of the income distribution.

Upper income families are found predominantly in metropolitan centres. Low income families are spread far more evenly across different sized centres and farms.

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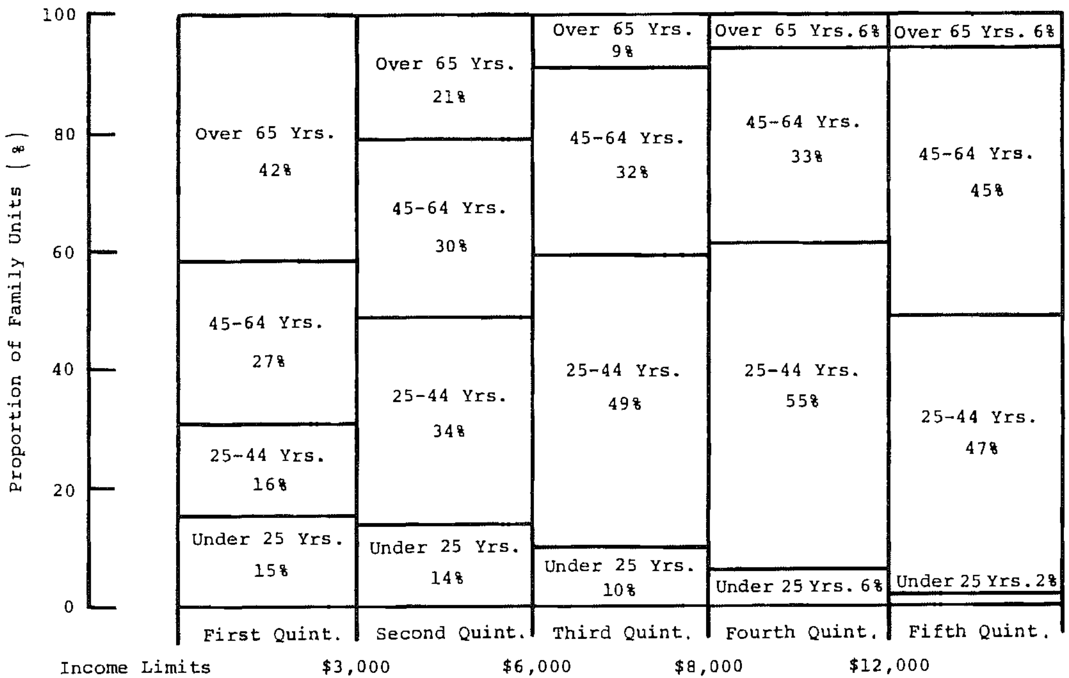
[1] Lester C. Thurow, "Goals of a Housing Program," in *Papers Submitted to Subcommittee on Housing,* House of Representatives, (Washington: GPO, 1971), p. 439. The author's comments were directed to the American situation, but apply to Canada as well.

Chart 1

DISTRIBUTION OF FAMILY UNITS
BY QUINTILES, BY AGE OF HEAD — 1967



Source: DBS Cat. 13-539, Table 37, p. 56

Chart 2

DISTRIBUTION OF FAMILY UNITS BY QUINTILES, BY FAMILY SIZE — 1969

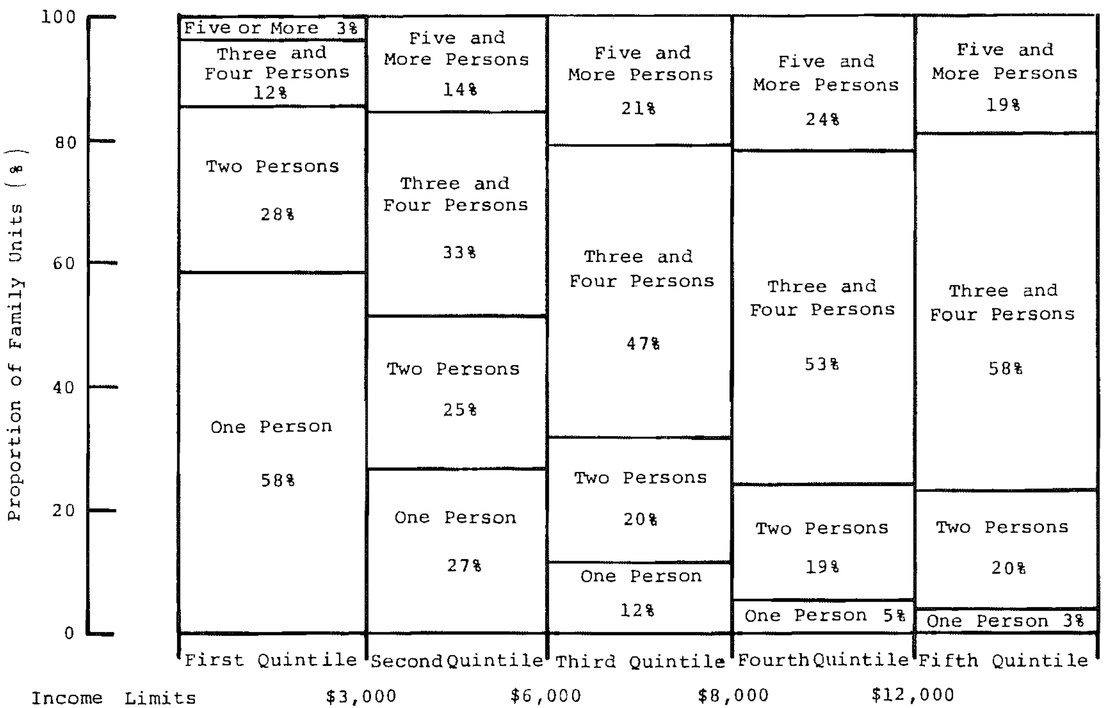
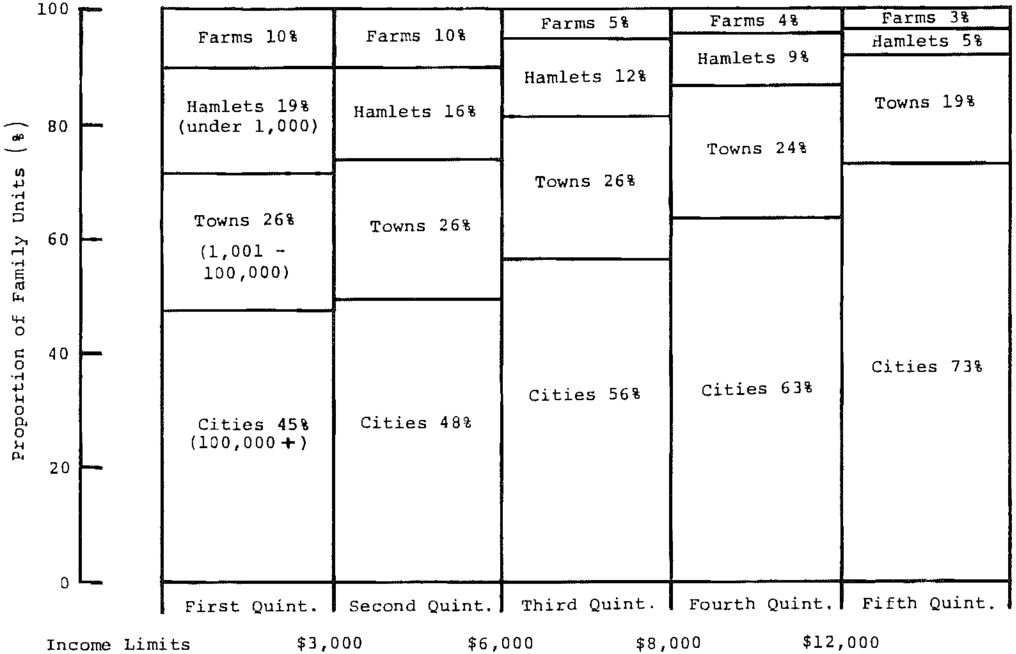


Chart 3

DISTRIBUTION OF FAMILY UNITS BY QUINTILES, BY SIZE OF COMMUNITY — 1969



Source: Statistics Canada, "Family Expenditures, 1969," Unpublished, Table 34A.

Housing Condition

The official federal government position is that housing conditions have been improving constantly:[2]

> There have been many impressive achievements in the past four years in the social aspects of the government's housing program . . . There are fewer occupied dwellings lacking basic facilities, such as private bath and toilet. There are fewer dilapidated and obsolete occupied dwellings and there are fewer instances of congestion of living space in terms of persons per room.

A review of housing in Canada, published by CMHC last year, sets out the following table and goes on to state:[3]

	Dwellings in Need of Major Repair	*Families Not Living in Own Household*
1945	594,000	382,000
1951	458,000	321,000
1961	255,000	236,000
1970	118,000	120,000

> The accompanying table shows the progress that has been made in improving Canada's housing conditions. The figures are indeed remarkable, indicating that we have been chipping away at the shortage and obsolesence at the rate of about 25,000 units a year.

Reference is made to the fact that in 1951, 13.4 per cent of all units were in need of major repair and that by 1961 the percentage was down to 5.6 per cent.

These figures appear to indicate that the problem of substandard housing is a rapidly diminishing one which, untouched by government policy or initiatives, will disappear over time. That position rests on a definition of substandard housing as housing "in need of major repair" or lacking essential plumbing facilities.

Data on repairs exist for only two census years, 1951 and 1961. They were gathered by census enumerators who were untrained observers, casual employees, many of them housewives. They completed the census form after seeing only the exterior and front door of a building. In the context of a lengthy interview, with a detailed questionnaire to fill out, they would spend a minute or two analyzing the condition of the building.

They were instructed to define major repairs as involving at least one of the following major structural deficiencies: (1) sagging or crumbling foundation; (2) faulty roof or chimney; (3) rotting door sills or window frames; (4) interior badly in need of repair.

Even experienced real estate appraisers, after exhaustive examinations of foundations, supports and electrical wiring, would be likely to disagree on

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[2] R. K. Andras, reported in the *Toronto Daily Star,* January 26, 1971.
[3] *Housing in Canada,* A Supplement to the 25th Annual Report of CMHC, 1971, p. 37.

such evaluations. How can inexperienced enumerators, looking in from the front door, be expected to make valid judgments?

An assessment of the value of such housing standards measurement by the US Census Bureau pointed out:[4]

> Our best estimate is that if another group of enumerators had been sent back to rate the housing units of the United States, only about one-third of the units rated as dilapidated or deteriorating by either group of enumerators would have been rated the same by both groups of enumerators. There was evidence that about one-fourth of the units which could be classified as substandard from the findings of one group of enumerators would have been differently classified according to the findings of another group of enumerators.

Similar findings were made in a survey carried out for the City of Montreal in six low income census districts in 1962. The 1961 census had found 7 per cent of the units in need of major repair, 30 per cent in need of minor repair and 63 per cent in good condition. The city survey, by way of contrast, found 16 per cent of the dwellings were "not habitable", 48 per cent were "repairable" and only 30 per cent were "satisfactory".[5]

The US National Commission on Urban Problems has pointed out:[6]

> There are not even good, working definitions of a *decent* home and a *suitable* living environment, the supposed anchor points of our national housing goal, used in what statistics are being gathered . . .
>
> The only reasonable comprehensive data on housing conditions or quality are those of the Bureau of the Census. To say that the available data are inadequate is no adverse criticism of the Bureau which has worked hard and intelligently on housing. A nation wide, decennial census, however, cannot supply the complete range of facts needed to judge housing quality. The Bureau knows this perfectly well . . .
>
> The Commission warns against the common tendency to read into the census housing data more than is there. Visible conditions of building and plumbing facilities in combination are indeed, as the Census puts it, "one measure of housing quality", but only one, and a crude one at that. Quite surely it is on the conservative side — that is, it results in a lower estimate of the volume of substandard housing than most reasonable persons would arrive at on the basis of careful local studies. This seems doubly likely for the housing in older, large, central cities and industrial suburbs of metropolitan areas. The census definition amounts to "a nearly weathertight box with pipes in it", and this notion of quality, unfortunately, is hopelessly inadequate.
>
> In short, the hard job of estimating and projecting housing needs is made all but impossible by the ridiculously inadequate data now in hand. Nearly everyone concerned with the subject has known and said this since the first census of housing was published in 1940 . . . Personal guesses and far-fetched assumptions with little relation to the actual world around us clutter the housing and urban problems field . . .

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4 Cited in Fried, *Housing Crisis USA* (New York: Praeger Publishers, 1971), p. 186.

5 Conseil des Oeuvres de Montréal, *Opération: Rénovation Sociale* (Montréal: C. des O., 1966), pp. 28-9.

6 *Report of the National Commission on Urban Problems* to the Congress and to the President of the United States (Washington: GPO, 1968), pp. 68-9.

Sufficient doubt has been cast on the accuracy and usefulness of the census data that the US Bureau of the Census dropped it from its 1970 effort. DBS followed suit in 1971. We therefore, will not have 1971 figures on units in need of major repair. Despite that fact, federal officials confidently state that the amount of substandard housing is decreasing.

A national housing inventory is required to determine the adequacy of the existing stock. We make some very rough estimates below, but agree with the Douglas Commission that:[7]

> Charting the housing course for urban (America) requires periodic, reasonably systematic housing inventories in at least all of the larger metropolitan areas of the country, and preferably in the smaller ones and in the independent cities as well. These need not all be full coverage jobs; sampling is possible and proper. They ought, however, to cover all of the items essential to a decent home and a suitable living environment, and they should be carried out uniformly for comparability from one metropolitan area to another . . . The costs of such inventories would be small in proportion to the capital sums at stake and to their usefulness to housing entrepreneurs, officials, and to the concerned public.

That recommendation has been made to CMHC in one of the background papers done for this study. The reported response of a senior official was that inventories were not necessary and that census data were an adequate indication of the extent of the problem.[8]

The real policy issue has been obscured by the focus on dilapidated or obsolete buildings. The concern there is primarily with units which must be replaced in order to arrive at a total of new housing requirements. Concern should centre on how many housing units exist which do not provide decent, safe and sanitary accommodation in a suitable living environment.

In order to measure the adequacy of a building in providing decent accommodation, regard should be had to its ability to provide the basic building services: the ability to constantly supply an adequate level of heat, light and ventilation, hot running water and plumbing facilities, and shelter from the elements. Some rough indications of the magnitude of some of these problems exist.

HEATING

In 1961, 32.5 per cent of all households, some 1,482,000 in all, lacked central heating. By 1967 that figure was down to 22.7 per cent, and by 1970 to some 19.7 per cent. That means that in 1970, approximately 1,115,000 units lacked central heating.

Table 11 which follows shows the distribution of dwellings without central heating in 1961. One-fifth were urban units and one-fifth were rural units built before 1920, and one-third were urban and one-third rural units built before 1945.

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[7] *Ibid.*
[8] *Toronto Daily Star*, March 14, 1972.

Table 11

AGE OF DWELLINGS WITHOUT CENTRAL FURNACE — 1961

	Dwellings Without Furnace		
	Number	Distribution %	Incidence %
Canada	1,482,272	100.0	32.5
Urban (Over 1,000)			
All Dwellings	756,887	51.1	23.1
— Before 1920	303,971	20.5	33.5
— 1920 —1945	222,799	15.0	26.9
— 1946 —1959	218,667	14.7	9.2
— 1960 —1961	11,450	0.8	1.3
Rural (Under 1,000)			
All Dwellings	725,385	48.9	56.9
— Before 1920	295,559	19.9	61.0
— 1920 —1945	199,963	13.5	62.6
— 1946 —1959	209,495	14.1	49.1
— 1960 —1961	20,368	1.4	46.2

SOURCE: DBS 93-529, *Dwelling Characteristics by Type and Tenure* (Ottawa: DBS, 1963), Table 82.

Lack of central heating does not necessarily indicate inadequate heating service. Such units may be heated with space heaters, cook stoves, fire places and more recently, electric heating. There is, however, undoubtedly a substantial proportion of dwellings, particularly the older ones, in which heating systems for cold Canadian winters are inadequate. Assuming that perhaps half those units which lack central furnaces are inadequately heated, and adding to that proportion those units which have central heating which does not function adequately, we would put the minimum number of units requiring heating installation or repairs at 500,000. Considering the number of older buildings in urban areas, which were not designed to be heated by cook stove or furnace, and may not be as substantially constructed as some of the rural ones, that estimate is conservative.

PLUMBING FACILITIES

In 1970, 5.5 per cent of all units lacked hot and cold running water, 4.9 per cent lacked a flush toilet and 8.1 per cent did not have bath or shower facilities installed. Table 12 which follows shows the development of this pattern over time.

This means that there are roughly half a million units in the country which require plumbing installations. Most of these are rural. In 1961, 90 per cent of those lacking running water and toilets were located in rural areas. Similarly, the provincial data reproduced in the following Table demonstrate that it is the Maritime provinces and Saskatchewan in which the lack of plumbing facilities is most serious. These are the provinces which retain the highest proportion of rural households.

To the 500,000 new plumbing units required primarily in rural areas, there must be added those units which do not function properly and do not provide satisfactory services continuously.

Again, we can establish as an absolute minimum some half million units requiring plumbing work.

Table 12

DWELLING STOCK WITH EXCLUSIVE OR SHARED USE OF PLUMBING FACILITY — 1951 - 1970

	Piped Water Supply		Source of Piped Water Supply		Toilet Facilities			
Period	Hot and Cold Water	Cold Water Only	Community Water System	Other	Flush Toilet	Chemical Toilet	Other	Bath or Shower Facilities Installed
1951	56.9	17.1	**	**	68.3	2.4	29.3	60.8
1958	73.5	11.6	66.9	18.2	79.8	1.7	18.5	74.0
1959	75.4	11.5	68.1	18 8	82.0	2.0	16.0	76.5
1960	78.9	10.6	75.5	16.0	84.9	1.4	13.7	79.3
1961	80.2	10.0	74.1	16.1	85.9	1.3	12.8	80.9
1962	83.1	8.6	75.0	16.7	87.7	1.3	11.0	83.4
1963	84.9	7.6	75.7	16.7	88.5	1.4	10.1	84.3
1964	86.1	7.1	76.4	16.9	89.5	1.3	9.2	85.8
1965	87.4	6.3	77.9	15.9	90.5	1.1	8.4	87.2
1966	88.4	6.1	77.8	16.7	91.4	1.1	7.5	88.5
1967	89.8	5.5	79.5	15.8	92.6	1.0	6.4	89.9
1968	91.0	5.0	80.4	15.6	93.5	0.9	5.6	91.2
1969	93.8	2.7	80.4	16.1	94.1	0.7	5.2	92.0
1970	94.5	2.6	81.3	15.8	95.1	0.7	4.2	91.9

DWELLING STOCK WITH EXCLUSIVE OR SHARED USE OF PLUMBING FACILITY

1970								
Nfld.	67.0	16.5	47.6	35.9	73.8	**	26.2	64.1
P.E.I.	73.1		34.6	46.2	73.1	**	26.9	69.2
N.S.	84.7	8.5	52.9	40.2	86.2	**	13.8	78.8
N.B.	87.7	6.2	47.9	45.9	88.4	**	11.6	82.9
Que.	95.7	3.9	87.5	12.0	98.9	**	1.1	92.5
Ont.	97.6	1.2	84.3	14.5	97.6	**	2.4	95.6
Man.	90.6		75.9	15.8	87.6	**	12.4	88.0
Sask.	84.4	2.7	69.3	17.9	81.3	**	18.7	81.7
Alta.	92.6	1.6	80.0	14.3	91.0	**	9.0	88.7
B.C.	98.7	0.1	88.7	10.5	98.2	**	1.8	97.3
Canada	94.5	2.6	81.3	15.8	95.1	0.7	4.2	91.9

SOURCE: *Canadian Housing Statistics 1970*, Table 122.

LIGHTING, VENTILATION AND WIRING

There are no national data which would give us any indication of the number of units requiring upgrading in these areas. For particular cities, reference might be had to cancellations of mortgage and property insurance, municipal inspections, etc.

STRUCTURAL REPAIRS

The 1961 census showed some 255,000 units in need of major repair and some 926,000 in need of minor repair. We noted that the definition of housing in need of major repair has been equated with dilapidated, obsolete and substandard housing. It has been used as an indication of housing which is so run down that it must be replaced or substantially rebuilt. However, if our concern is that the inhabitants of the units have the use of structurally sound,

safe, fully weathertight housing, then some measure short of total dilapidation is required. Again, in the absence of any better estimates, some one-half of all units requiring both major and minor repairs in 1961 is suggested as an estimate of the number of units needing structural rehabilitation in 1971. That would mean, once again, some half million units need structural repairs to meet the standard of decent, safe and sanitary accommodation.

We are prepared to say that half the units which were found to require major or minor repairs in 1961 is an adequate measure of those units requiring substantial structural repairs in 1971, because we do not believe that the rate of improvement during the decade of the 50's continued throughout the 1960's. We have seen that the proportion of all units requiring major repairs fell from 13.4 per cent to 5.6 per cent during that period. Admitting the inadequacies of the standards involved, it remains likely that there was a substantial measure of improvement. Part of that apparent improvement results from the addition during the decade of 1.1 million new units to a base of some 3.8 million units. As well, there was a substantial amount of work required to upgrade existing units occupied by middle income families. Very few repairs of that kind had been made during the Depression and the Second World War and the pent-up demand carried through the second half of the 1940's and through the next decade. Improvements were facilitated by a program of insured bank loans for home improvements. That program has been of constantly decreasing importance in the 1960's as can be seen from Table 13.

Table 13

HOME IMPROVEMENT LOANS APPROVED UNDER THE NATIONAL HOUSING ACT, CANADA — 1955 - 1970

Period	*Number of Loans*	*Units*	*$000*
1955-1959	154,749	167,209	164,713
1960	23,580	25,804	30,059
1961	28,097	33,430	42,629
1962	23,895	28,177	38,022
1963	22,024	26,310	36,722
1964	19,800	23,568	36,009
1965	18,846	22,136	35,589
1966	18,042	22,129	35,931
1967	16,631	19,665	35,247
1968	10,524	12,961	23,869
1969	9,142	11,572	22,131
1970	7,057	8,551	16,852
1955-1970	352,387	401,512	517,773

SOURCE: *Canadian Housing Statistics 1970*, Table 60.

By 1961, not surprisingly, the majority of units requiring repairs were occupied by low income households. The poorest fifth[9] of all owner households occupied 44 per cent of all units in need of major repairs and 30 per cent in need of minor repairs. The bottom two-fifths occupied 74 per cent of all units needing major repairs and 59 per cent of all units needing minor repairs.

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[9] Because the published data are available in broad income intervals exact division into 20 per cent quintiles was not possible. Throughout this study, the closest possible approximation to quintile divisions is used.

For tenant families, the position was similar. The poorest sixth occupied 33 per cent of units requiring major repairs. The poorest three-tenths occupied 71 per cent of units needing major repairs.

Table 14

DISTRIBUTION BY INCOME GROUPS OF NON-FARM DWELLINGS IN NEED OF REPAIR SINGLE-DETACHED, OWNER-OCCUPIED DWELLINGS — 1961

	Households		Major Repair			Minor Repair		
	No.	%	No.	%	Inc.	No.	%	Inc.
First Quintile (Under $2000)...	394,295	18.4	41,964	43.5	10.6	108,019	30.0	27.4
Second Quintile ($2000-$4000)....	466,587	21.8	28,767	29.8	6.2	102,983	28.6	22.1
Third Quintile ($4000-$5000)....	301,039	14.1	10,591	11.0	3.5	51,308	14.3	17.0
Fourth Quintile ($5000-$7000)....	480,040	22.4	10,152	10.5	2.1	59,525	16.6	12.4
Fifth Quintile (Over $7000).....	497,884	23.3	5,025	5.2	1.0	37,636	10.5	7.6
Total...........	2,139,845	100.0	96,499	100.0	4.5	359,471	100.0	16.8

SOURCE: DBS Cat. 98-505, *Incomes of Households* (Ottawa: DBS, 1965), Tables E-3 & E-4.

Table 15

DISTRIBUTION BY INCOME GROUPS OF NON-FARM DWELLINGS IN NEED OF REPAIR, TENANT-OCCUPIED DWELLINGS — 1961

	Households		Need Major Repair			Need Minor Repair		
	No.	%	No.	%	Inc.	No.	%	Inc.
First Quintile (Under $2000)...	243,712	16.2	32,423	32.6	13.3	73,157	21.4	30.0
Second Quintile ($2000-$4000)....	470,144	31.3	37,991	38.2	8.1	125,085	36.5	26.6
Third Quintile ($4000-$5000)....	263,372	17.6	13,343	13.4	5.1	58,572	17.1	22.2
Fourth Quintile ($5000-$7000)....	313,542	20.9	10,914	11.0	3.5	56,826	16.6	18.1
Fifth Quintile (Over $7000).....	209,274	14.0	4,672	4.7	2.2	28,849	8.4	13.8
Total...........	1,500,044	100.0	99,343	100.0	6.6	342,489	100.0	22.8

SOURCE: DBS Cat. 98-505, Tables E-7 & E-8.

Both the 1967 and the 1961 data indicate the strong correlation between age of dwelling, inadequate physical conditions and low income.

Table 16

HOUSEHOLD FACILITIES OF HOUSEHOLDS BY SELECTED QUINTILE GROUPS — 1967

All Canada	*Households* '000	*Age of Dwelling* *Pre-1940* %	*1960+* %	*Need Major Repair (1961 Data)* %	*No Water* %	*No Toilet* %	*No Furnace* %
Individuals							
< $1,000.....	104.9	65	13	9	13	14	38
< $2,000.....	333.1	61	14	15	12	15	41
> $5,000.....	193.1	37	31	3	3	4	15
Average.....	763.7	53	19	8	8	10	29
Families							
< $4,000.....	885.0	54	15	11	10	14	39
< $6,000.....	1,733.8	50	16	9	7	10	34
>$10,000.....	969.3	27	31	1	1	1	10
Average.....	4,328.4	39	23	5	4		22

SOURCE: Unpublished data from DBS Household Facilities Survey, 1967.

RURAL HOUSING CONDITIONS

In 1967, only 19 per cent of Canadian households lived in rural areas. They had a disproportionate share of the unsatisfactory housing in the country. That can be seen from the 1961 census data, in which more than two-fifths of units needing major repairs and one-third of units needing minor repairs were in rural areas. It can also be seen in a comparison of the housing conditions of rural and metropolitan households in 1967.

Table 17

THE HOUSING STATUS OF RURAL AND METROPOLITAN HOUSEHOLDS — 1967

	Households No. ('000)	*Age: Pre-1940* %	*Lacking Water* %	*Lacking Toilet* %	*Lacking Furnace* %
All Rural Households:					
1st Quintile (<$2,000)........	206.7	62	33	42	55
2nd Quintile ($2-4,000)........	287.3	57	19	27	41
5th Quintile (>$8,000)........	253.2	46	6	9	27
Average.................	1,089.2	53	16	22	41
All Metropolitan Households (30,000+)					
1st Quintile (<$4,000)........	462.7	51	1.5	2	28
2nd Quintile (<$6,000).......	902.0	49	0.6	0.8	27
Top Quintile (>$10,000)......	872.7	27	0.3	0.2	9
Average.................	2,985.3	37	0.6	0.8	17

Tables 14 and 15, and Chart 4 depict the correlation between age of dwelling and sub-standard physical conditions. In 1967, 53 per cent of rural dwellings pre-dated 1940, while metro areas had only 37 per cent of that vintage. 16 per cent of rural dwellings lacked running water; only .6 per cent in metro areas were in that condition. In rural areas, 22 per cent of dwellings lacked flush toilets, while in metro areas the figure was less than 1 per cent.

CHART 4a

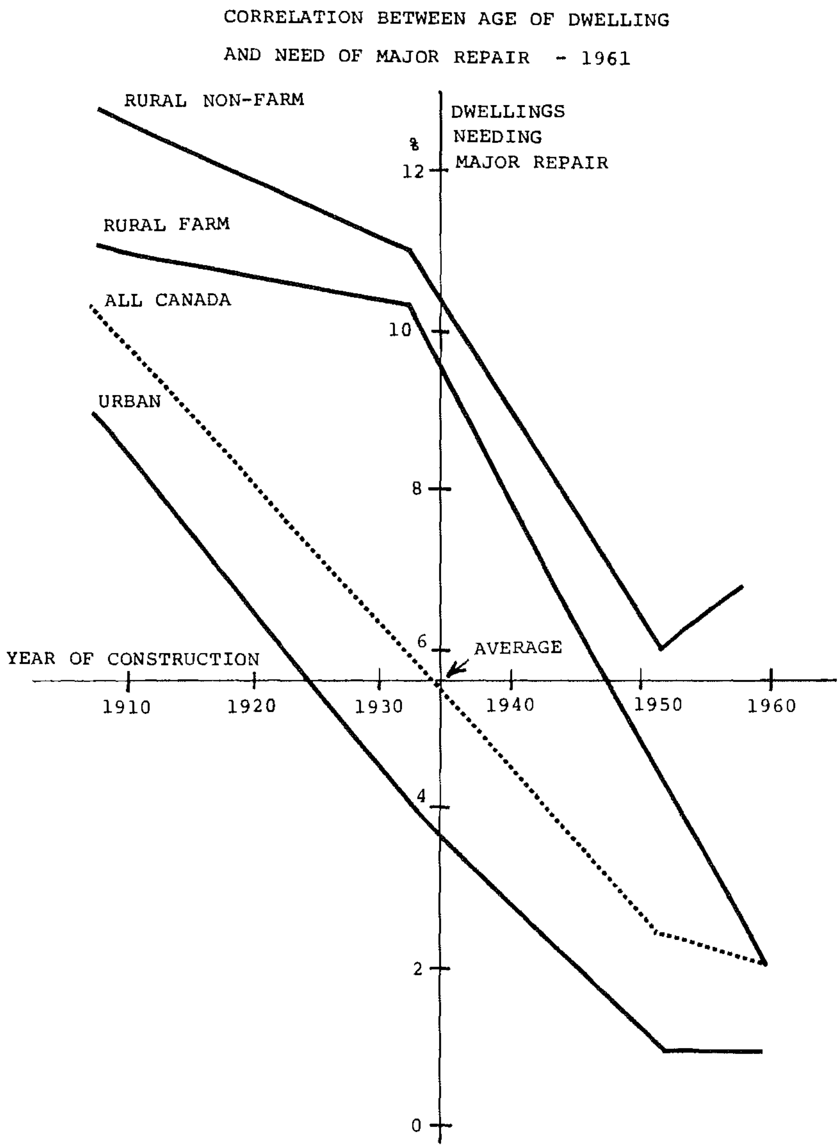

CORRELATION BETWEEN AGE OF DWELLING
AND NEED OF MAJOR REPAIR - 1961
RURAL NON-FARM
RURAL FARM
ALL CANADA
URBAN
DWELLINGS
NEEDING
MAJOR REPAIR
%
12
10
8
6
4
2
0
AVERAGE
YEAR OF CONSTRUCTION
1910
1920
1930
1940
1950
1960

CHART 4b

CORRELATION BETWEEN AGE OF DWELLING AND LACK OF RUNNING WATER-1961

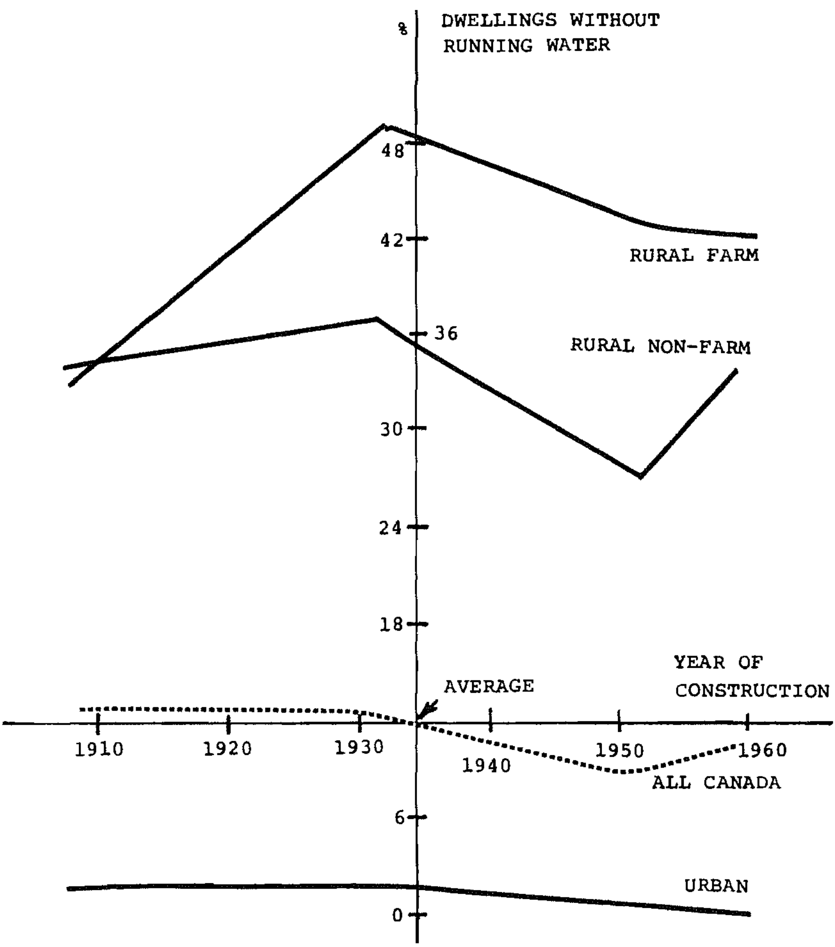


CHART 4c

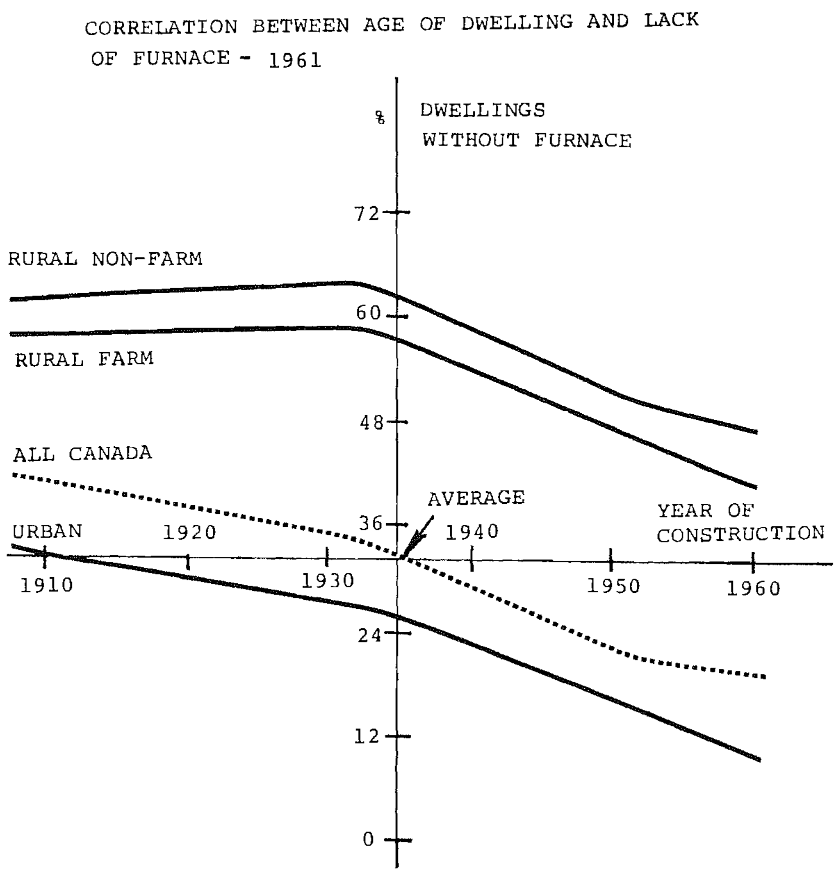
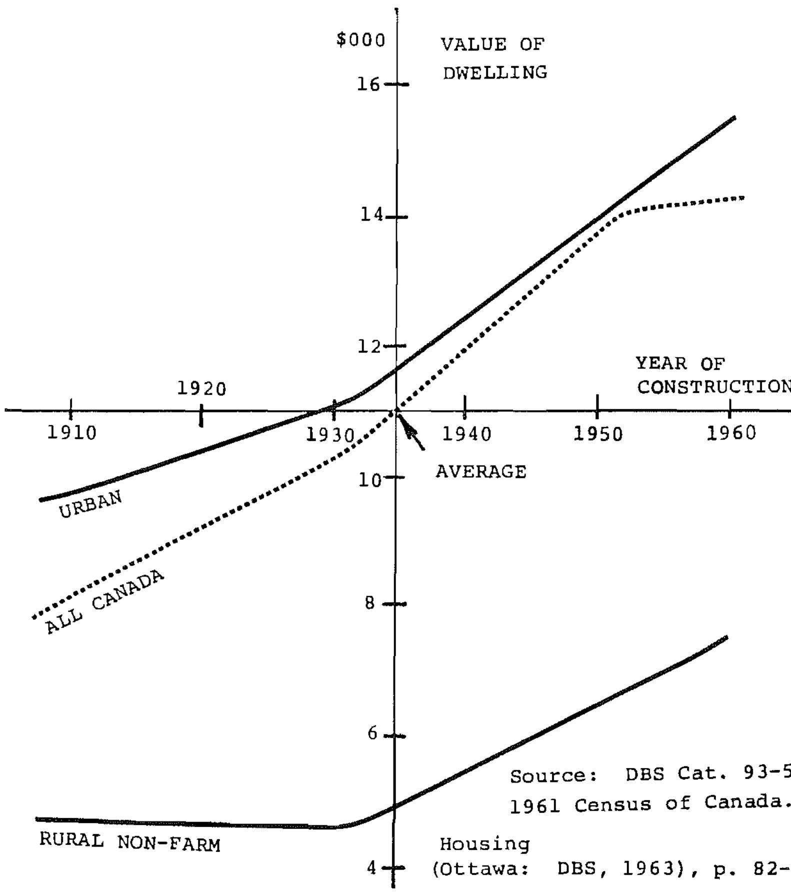

CORRELATION BETWEEN AGE OF DWELLING AND LACK
OF FURNACE - 1961
%
DWELLINGS
WITHOUT FURNACE
72
RURAL NON-FARM
60
RURAL FARM
48
ALL CANADA
AVERAGE
36
YEAR OF
CONSTRUCTION
URBAN
1920
1940
1910
1930
1950
1960
24
12
0

CHART 4d

CORRELATION BETWEEN AGE OF DWELLING AND VALUE- 1961



Source: DBS Cat. 93-529, 1961 Census of Canada. Housing (Ottawa: DBS, 1963), p. 82-1.

In the 1961 census, 9 per cent of rural dwellings were in need of major repair and 28 per cent were in need of minor repair. The figures for metro areas were 5 per cent and 19 per cent respectively.

The rural areas have a high incidence of low income. While for the whole country, the cut-off line for the bottom two quintiles of households is $6,000, 45 per cent of rural households have incomes less than $4,000. There is a very strong correlation between low income and poor housing conditions in rural areas. The poorest households are five times as likely as the wealthy rural ones to lack running water and flush toilets, and twice as likely to lack central heating.

Except for the short-lived ARDA program, the federal government has exhibited little concern with rural housing conditions. A romanticised version of rural life leads to a belief that lack of heating and plumbing facilities and structural defects are not as important in rural areas. The farmer is a hearty type who can wash in a stream and heat his house with a cookstove. Being house-poor in rural areas is not as bad as in a big city, because everyone around you is in the same boat.

Such attitudes ignore changes in living patterns and aspirations throughout rural Canada. Farm country is being urbanized and rural households want urban housing standards.

That is amply demonstrated in a recent study, Rural Families and Their Homes[10], which examines some 218 farm families in 1959 and again in 1968 with regard to their family and household expenditures during that period. Despite an average age of units occupied of 75 years, the average family spent some $1,300 during that period on improving their house. Most of this sum went for major structural improvements and heating and plumbing improvements, about a quarter for each of these. More than half the families surveyed were concerned about their ability to continue making improvements in each of those systems.

> This continued concern for housing change and improvement is based on unquestioned need for repair and maintenance of the structure, but also on evidence of the changing life-styles of the rural families who have largely ceased to regard central heating or plumbing as luxuries.[11]

Similarly, that concern can be seen in the substantial improvement of plumbing facilities documented in Table 12 above. Most of that has occurred in rural areas, without any form of government assistance. It has been primarily middle income households who could afford to do so. The improvements clearly illustrate changing rural aspirations.

Almost no new low income housing has been built in rural areas. Long term investment in new housing is felt to be impractical because of the risk of outmigration, abandonment and, therefore, waste of funds. The alternatives are to adopt new programs to improve existing housing conditions, or to con-

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[10] Prepared under a Part V grant by Professor Helen C. Abell, University of Waterloo, August 1971, unpublished.

[11] *Ibid*, p. 55.

tinue to do nothing, and ignore the problem. Low income rural households are aging, and when they die off, the problem may go away.

There is one predominantly rural group, with the worst housing conditions in the country, which is not aging and dying off, but is multiplying quickly with a high birth rate — some 100,000 native households with about 500,000 people. In that group are included Eskimos, Indians and Métis.

Census data and DBS surveys do not allow an accurate assessment of native housing conditions. In the last year, CMHC has funded several native groups to do housing surveys. The results of one such survey, conducted by the Saskatchewan Métis Society, are set out in Table 18. The survey covered a sample of 5 per cent of the approximately 12,000 Métis households in the province.

Among the highlights of Table 18 are 52 per cent of units having less than 500 square feet of floor space; 41 per cent having three rooms or less; 82 per cent lacking flush toilets and running water; 22 per cent categorized as in need of major repair and another 60 per cent "forget it".

Table 18

HOUSING CONDITION OF SASKATCHEWAN MÉTIS

SIZE OF HOUSE (square feet)		*Under 100*	*100–200*	*201–300*	*301–400*	*401–500*	*501–600*
	%	8.49	3.30	11.25	16.13	12.95	13.59
		601–700	*701–800*	*801–900*	*901–1000*	*Over 1000*	
	%	6.79	9.35	1.91	1.69	5.10	
NUMBER OF ROOMS		*1*	*2*	*3*	*4*	*5*	*6*
	%	12.95	12.31	15.92	25.90	14.65	9.98
		7	*8*	*9*			
	%	3.18	.85	.42			
NUMBER OF BEDS		*None*	*1*	*2*	*3*	*4*	*5*
	%	8.07	15.50	38.85	19.75	7.43	2.55
TYPE OF FOUNDATION		*Skid*	*Conc. Sill*	*Timber Basement*	*Conc. Basement*	*None*	
	%	12.10	35.88	9.34	11.25	16.99	
REPAIRS REQUIRED		*Major*	*Minor*	*Forget It*			
	%	21.87	13.80	59.87			
TOILET FACILITIES		*Flush*	*Chemical*	*Outhouse*	*None*		
	%	17.41	2.12	74.09	4.71		
STORAGE FACILITIES		*Basement*	*Shed*	*Porch*	*Cupboards*	*None*	
	%	9.77	13.38	8.07	12.95	32.48	
SOURCE OF WATER		*Well*	*River/ Lake*	*Town Supply*	*Purchased From Town*	*Water & Sewage*	
	%	25.27	28.24	17.62	12.74	7.85	
STORAGE OF WATER		*Cistern*	*Barrels*	*Pails*	*Not Applicable*		
	%	4.03	20.38	35.46	14.86		
GARBAGE DISPOSAL		*Municipal Facilities*	*Burning Barrel*	*Garbage Heap*	*"in the bush"*		
	%	45.01	4.46	15.71	27.60		
TYPE OF HEATING		*Forced Air*	*Space Heater*	*Cook-Stove*	*Airtight Heater*	*Homemade Stove*	*Iron Stove*
	%	11.04	30.57	19.96	18.05	1.27	6.58

SOURCE: Métis Nation of Saskatchewan, *Homes for our People* (Regina: Métis Society, 1971).

URBAN NEIGHBOURHOODS

All the indications of housing quality which we have used describe the state of the building and its component systems. None of them deal with its adequacy as a *place* in which to live nor with the effect of external factors on its suitability for that purpose. In urban areas, external neighbourhood conditions compound difficulties of physical inadequacy.

> In the words of the Douglas Commission:[12]
>
> How is the data related to environment? . . . Is a unit correctly defined as standard under available data if the lot next door is littered with garbage; if the police protection is limited; if street lights are not provided; if the sidewalk is buckled; if the street is full of potholes; if a liquor store is found on each corner; if sewers are non-existent or inadequate; if the noise level is excessive; or if a rendering works is found in the block . . .

Standards of environmental quality must be included in any test of housing adequacy developed for purposes of the recommended inventories.

Crowding

The size of the family, when compared to the living space provided by the dwelling unit may render inadequate for that family a building which is physically sound. Or the problems of an inferior structure may be worsened by lack of space. One measure of crowding is the total number of families not maintaining their own households. In 1966, there were 180,000 such households, some 4 per cent of the total.

Table 19

PERCENTAGE OF CANADIAN FAMILIES NOT MAINTAINING THEIR OWN HOUSEHOLDS

	All Areas	*Metropolitan Areas*
1951	9.8	13.0
1956	7.7	10.0
1961	5.7	6.8
1966	4.0	4.5

SOURCE: *Canadian Housing Statistics 1969*, Table 107.

The other standard of crowding employed by DBS is units having more than 1 person per room. For the year 1961, 16.5 per cent of all Canadian households fell within the definition. This figure was down from 18.8 per cent in 1951. Overcrowding is a different matter than doubling up which refers to multiple family occupancy of a unit suitable for a single family.

It is difficult to make even a rough estimate of the number of units which are seriously overcrowded. One study in 1964 estimated that out of 750,000 some 100,000 fell in that category.[13]

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[12] *Op. cit.*, p. 55.
[13] *Good Housing for Canadians, op. cit.*, p. 76.

The following Table gives some indication of where the most serious crowding exists. There were some 50,000 households having two or more persons per room that were clearly crowded. Most likely to be seriously over-crowded are the 50,000 owner occupied units of from 1 to 3 rooms and the 100,000 tenant occupied ones of 1 to 3 rooms.

Also interesting, is the fact that the incidence of crowding is only 50 per cent higher for the lower income group. One would have expected a more substantial difference. Unfortunately, the published data do not allow one to go beyond income in describing the characteristics of the head of a crowded household.

Table 20

NUMBER OF PERSONS PER ROOM IN HOUSEHOLDS BY QUINTILE GROUPS BY SIZE OF COMMUNITY, TENURE AND SIZE OF UNIT — 1961

Family Households by Income	*No. of Households (in '000)*	*% Distribution of Households*	*% Having one or more Persons per Room*
Bottom quintile ($3,000)	765.8	22	35
Bottom 2 quintiles ($4,000)	1,292.7	37	37
Top quintile ($7,000)	788.1	23	23
Average	3,504.7	100	34

SOURCE: DBS Cat. 98-505, Table E-1.

NUMBER OF PERSONS PER ROOM IN HOUSEHOLDS BY QUINTILE GROUPS, BY SIZE OF COMMUNITY — 1961

Households by Size of Community	*No. of Households (in '000)*	*% Distribution of Households*	*% 1 — 2 Persons/Room*	*% 2 or more Persons/Room*
30,000 and Over	2,517.3	55	13	0.5
10,000 — 29,999	262.3	6	16	1
1,000 — 10,000	500.8	11	16	1
Rural Non-Farm	824.5	18	18	2
Rural Farm	449.5	10	19	4
Average	4,554.5	100	15	1

SOURCE: DBS Cat. 93-524, Table 30.

NUMBER OF PERSONS PER ROOM IN HOUSEHOLDS BY SIZE OF DWELLING AND BY TENURE — 1961

Households by Tenure	*No. of Households (in '000)*	*% Distribution of Households*	*% 1 — 2 Persons/Room*	*% 2 or more Persons/Room*
Owned:				
1 — 3 rooms	181.8	6	27	14
4 — 6 rooms	1,962.8	65	14	1
7 or more rooms	861.0	29	8	Ø
Average	3,005.6	100	13	1
Rented:				
1 — 3 rooms	446.5	29	23	2
4 — 6 rooms	970.8	63	18	Ø
7 or more rooms	131.6	8	11	Ø
Average	1,548.9	100	19	Ø

SOURCE: DBS Cat. 93-534, Table 114.

Cost

For a considerable portion of the low income population the housing problem is primarily one of cost when matched against low incomes, although low income and high costs may well be combined with poor building conditions and/or crowding.

That dimension of the problem is clearly recognized by the National Housing Act. Under Section 2 of the Act, a family of low income is defined as "a family that receives a total family income that, in the opinion of the Corporation, is insufficient to permit it to rent housing accommodation adequate for its need at the current rental market in the area in which the family lives." While the federal government's housing requirements approach involves planning for the production of units for doubled-up and crowded households and those in substandard units, in fact the criterion for eligibility is inability to pay existing market rentals. A major determinant of need and the reason that most households seek government assisted housing is inability to pay.

This was clearly pointed out in the last major housing study done in the country, Good Housing for Canadians.[14]

> Aside from its physical qualities, a sizeable segment of Canadian housing is economically troubled. On the basis of the family income of those granted National Housing Act mortgages and on the basis of what rental statistics are available, the new housing production, whether for ownership or rental, is completely out of reach of something better than ⅓ and something less than ½ of the population. The existing housing stock is almost equally inaccessible because of the combined effect of high prices and inadequate financing terms. And so there persists a housing problem so severe, so far from solution by legislative, social, economic and physical activities, that only one word can be applied to it — failure.

Very limited data on housing expenditures are available. The results of surveys of 2,000 families in urban centres larger than 100,000 in population have been published by the Dominion Bureau of Statistics in 1964 and 1967. A survey of some 20,000 families over a broader range of community size, including both smaller centres and rural areas was done in 1969. Some preliminary figures from that survey were available for this study.

For purposes of this analysis, the assumption was made that expenditures exceeding 20 per cent of income are excessive for low income households. Any figure chosen will be somewhat arbitrary. But with an average expenditure for all households of 17 per cent, and with average expenditures for the top two quintiles of 14 per cent of incomes (which averaged $12,200) there seems to be little justice in requiring households with average incomes of $1,858 or $4,541 to spend 25 or 30 per cent of income on shelter. The 20 per cent standard is also considered appropriate because it deals with the ratio of *shelter* alone to *gross* income. Shelter in this context means the rental or ownership expenses for the bare physical shell plus expenses for utilities. It does not

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[14] *Good Housing for Canadians, op. cit.*, p. 58.

include such related expenses as the cost of furnishings or household operation. In 1969, average expenditure on shelter was $1,240, on household operation $331, on furnishings $373. A broader definition of shelter would result in average expenditure ratios which were 50 per cent higher.

When the 1969 data are fully available, it will be possible to do a detailed examination of expenditure patterns to arrive at reasonable expenditure ratios for different sized households, taking into account, in particular, the needs of large families. That should be a matter of urgent priority for national and provincial housing agencies. For present purposes, rough lines of demarcation must suffice. We have, therefore, divided the households into those groups spending in excess of 50 per cent of income for shelter, 40 to 50 per cent, 25 to 40 per cent, 25 to 20 per cent, and under 20 per cent.[15] The results of our analysis can be seen in Table 21. There are 1,831,000 Canadian households spending in excess of 20 per cent of their incomes for shelter. Two-thirds of them are low income. There are 1,076,000 spending in excess of 25 per cent of income for shelter. Four-fifths of them are low income.

One Canadian household in three spends in excess of 20 per cent of income for shelter, one in five in excess of 25 per cent, one in fourteen in excess of 40 per cent, one in thirty-three in excess of 50 per cent. The 400,000 households spending more than 40 per cent of income for shelter are on the very edge of subsistence.

As was noted at the beginning of this section, incomes in metropolitan centres are higher than in smaller centres and farm areas. So are housing prices. For those at the upper end of the income band, higher incomes offset higher prices. For the low income households who live in the larger centres, the result is higher shelter to income ratios. While one would have expected high ratios in the metropolitan centres, it is surprising to see the high proportions spent on income by households living on farms and smaller centres. For the bottom group, those living in hamlets, i.e. small farm communities, appear to be the best off. That can be seen in Chart 6, in which cities of 100,000 plus are designated 'cities', those of from 1,000 to 100,000 'towns', and communities of 50 to 1,000 'hamlets'.

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[15] The data were available in the form of a bivariate distribution of numbers of family units by income in $1,000 intervals and by shelter expenditures in $250 intervals. This basic tabulation is stratified by family type within size of community groupings. We combined income intervals into quintile groups, as defined for all-Canada. Then, using the average income for each quintile, we calculated the specified 50 per cent, 40 per cent, 25 per cent and 20 per cent cut-off points in the distribution of expenditures. These cut-off points can only be approximated, since the original data are already grouped into intervals. In all cases but one, the discrepancy is only a matter of one or two percentage points. The exception is the upper cut-off point in the first quintile, which is actually 54 per cent rather than 50 per cent. Consequently, our conclusions err on the conservative side in this instance. In addition to the four categories of urbanization, the data contain a fifth category called "special areas". This represents families in institutions or in remote areas. It involves only about 28 thousand families out of the total of 5.8 million. The "special areas" category was omitted from our calculations.

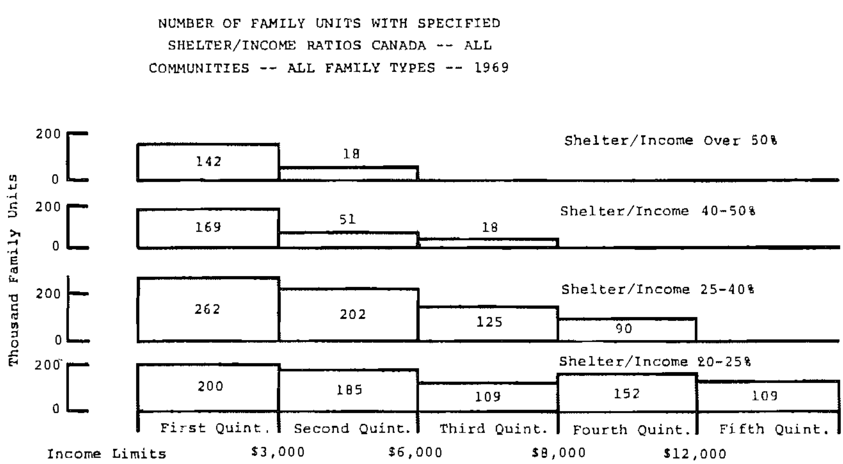
Table 21

NUMBER OF FAMILY UNITS WITH SPECIFIED SHELTER/INCOME RATIOS — ALL COMMUNITIES, ALL FAMILY TYPES — 1969

				Shelter/Income Ratio				
Quintiles	*Income Interval $*	*Average Income $*	*Family Units Thousands*	*Over 50 %*	*50-40 %*	*40-25 %*	*25-20 %*	*Under 20 %*
1st	under 3,000	1,858	No. 976.8	141.8	168.5	262.1	200.0	204.5
			% 100	14	17	27	20	21
2nd	3-6,000	4,541	No. 1,282.3	18.1	50.9	201.9	185.0	828.3
			% 100	1	4	16	14	65
3rd	6-8,000	6,974	No. 1,025.6		17.9	124.7	108.8	775.2
			% 100		2	12	11	75
4th	8-12,000	9,705	No. 1,523.8			90.1	152.2	1,281.6
			% 100			6	10	84
5th	over 12,000	16,657	No. 1,046.0				109.1	936.9
			% 100				10	90
All			No. 5,854.5	159.9	237.3	678.8	755.1	4,026.5
			% 100	3	4	12	13	68

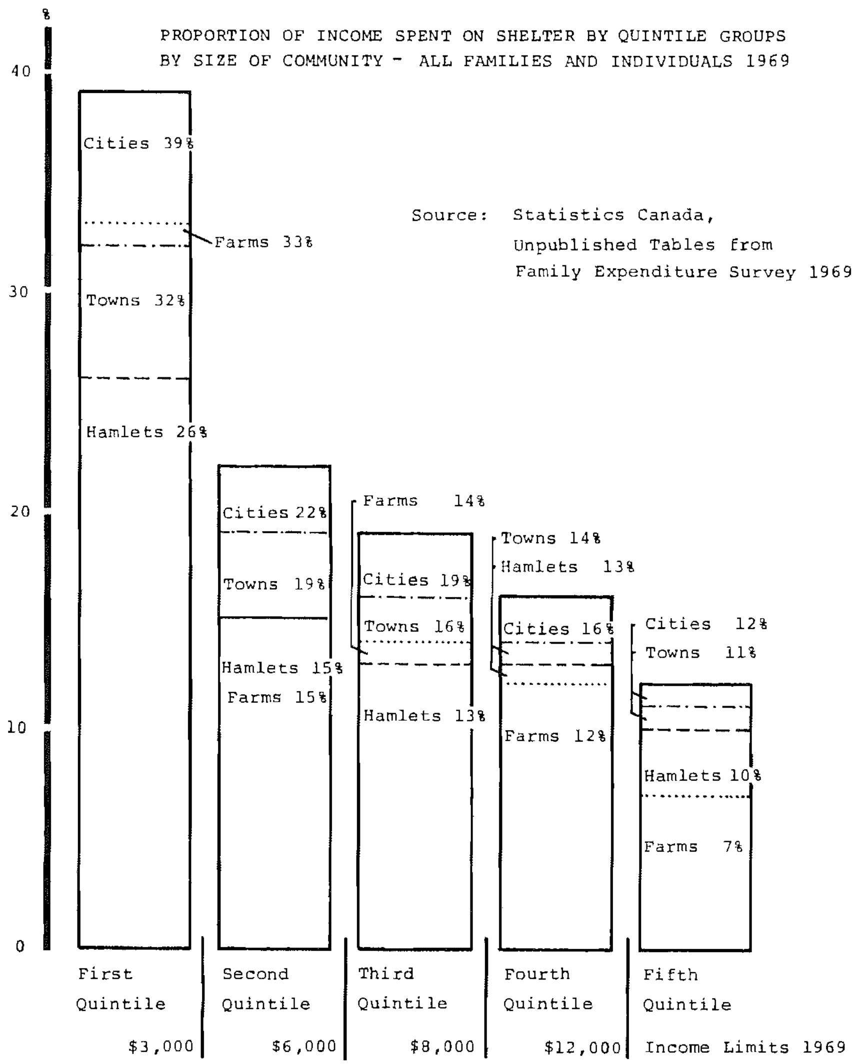
SOURCE: Statistics Canada, "Family Expenditures 1969," Unpublished, Table 02A61.

CHART 5



Source: Statistics Canada, "Family Expenditures, 1969," Unpublished, Table 02A61.

CHART 6


%
PROPORTION OF INCOME SPENT ON SHELTER BY QUINTILE GROUPS
BY SIZE OF COMMUNITY - ALL FAMILIES AND INDIVIDUALS 1969
40
30
20
10
0
Cities 39%
Farms 33%
Towns 32%
Hamlets 26%
Source: Statistics Canada,
Unpublished Tables from
Family Expenditure Survey 1969
Cities 22%
Towns 19%
Hamlets 15%
Farms 15%
Farms 14%
Cities 19%
Towns 16%
Hamlets 13%
Towns 14%
Hamlets 13%
Cities 16%
Farms 12%
Cities 12%
Towns 11%
Hamlets 10%
Farms 7%
First Quintile
Second Quintile
Third Quintile
Fourth Quintile
Fifth Quintile
$3,000
$6,000
$8,000
$12,000
Income Limits 1969

The actual percentage of family units in the quintile groups is as follows:

	Percentage of Family Units			
	Cities	*Towns*	*Hamlets*	*Farms*
First Quintile	13.1	18.2	25.7	25.5
Second Quintile	18.3	23.7	29.5	34.8
Third Quintile	17.1	18.7	17.9	15.9
Fourth Quintile	28.6	25.5	19.4	16.4
Fifth Quintile	22.9	13.8	7.4	7.2

Comparable information on changes in assets and liabilities by size of community is shown in Chart 7. The difference in patterns of saving among the quintile groups is more pronounced for the smaller-sized communities than for the large cities taken by themselves. In particular, we note that farm families in the first quintile during 1969 were incurring net liabilities amounting to \$1,501, or 92 per cent of their income of \$1,623. The financial situation of the low income population obviously is not healthy.

Breakdowns by form of tenure, as well as location were available. 5 classifications were possible: 1. Owners without mortgage, 2. Owners with mortgage, 3. Regular tenants, 4. Roomers, 5. Rent-free tenants. The data indicate that unacceptable expenditure burdens are not limited to tenant households. That is not surprising, in that approximately 50 per cent of low income households are owners. But the information is essential for policy purposes, as present programs are geared to the provision of reasonably priced new rental housing. Homeowners, particularly older ones, will not sell their houses and lose status, security and neighbourhood, to take advantage of new rental housing. Yet they, too, clearly require assistance. 45 per cent of all households in the first quintile are owners who, although they have no mortgage, still pay 32 per cent of income for shelter. Homeowners without mortgages in that quintile had an average age of 68 and spent almost \$600. They are primarily elderly persons caught between low old age pensions and rapidly rising property taxes. 3 per cent are owners with mortgages and they spend an average ratio of 49 per cent. In the second quintile there are almost half a million homeowners with mortgages, spending an average of 24 per cent of income for shelter.

Among tenants, expenditure/income ratios are about the same as those for owners with mortgages. They, however, do not have the security of ownership of assets nor the advantage of security of tenure. Roomers, on the other hand, have much lower ratios. Although their incomes are about 15 per cent lower, they spend only about \$37 per month on rent, less than two-fifths of the amount spent by regular tenants. For that lower expenditure level they, of course, get less space, privacy and facilities.

CHART 7

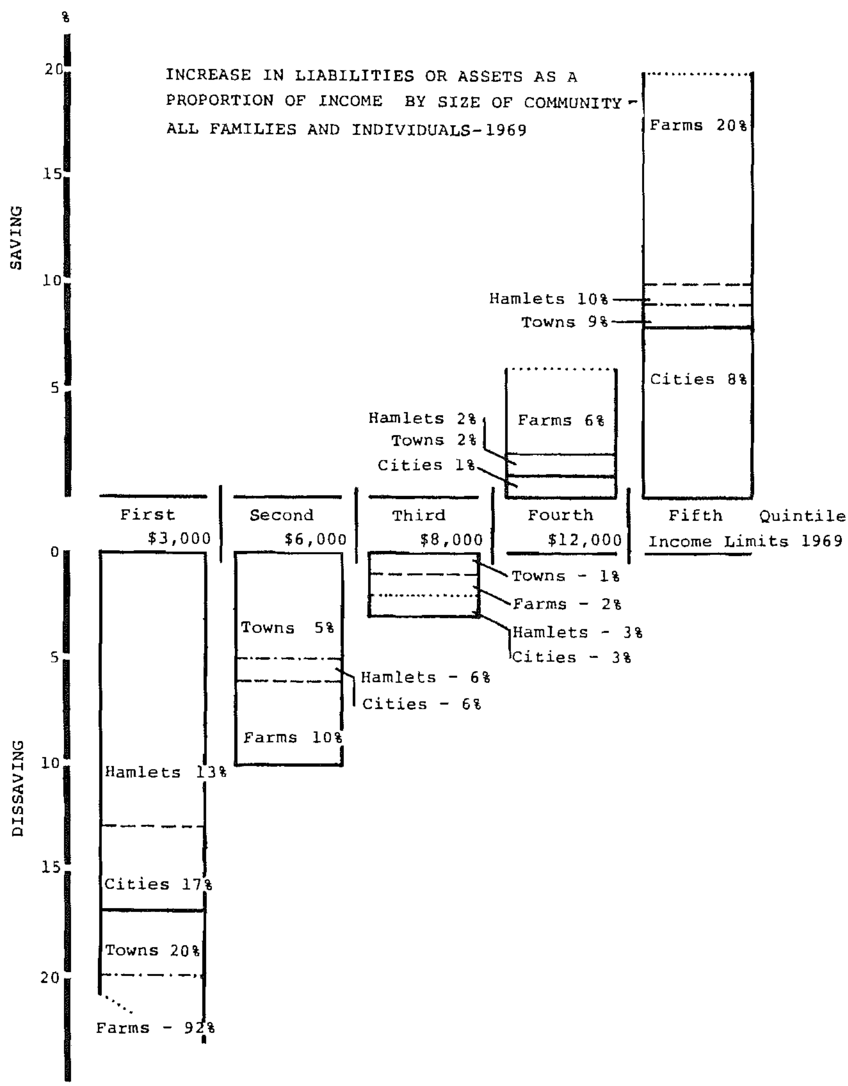

INCREASE IN LIABILITIES OR ASSETS AS A PROPORTION OF INCOME BY SIZE OF COMMUNITY - ALL FAMILIES AND INDIVIDUALS-1969
%
SAVING
DISSAVING
20
15
10
5
0
5
10
15
20
First
$3,000
Second
$6,000
Third
$8,000
Fourth
$12,000
Fifth
Quintile
Income Limits 1969
Farms 20%
Hamlets 10%
Towns 9%
Cities 8%
Farms 6%
Hamlets 2%
Towns 2%
Cities 1%
Towns - 1%
Farms - 2%
Hamlets - 3%
Cities - 3%
Towns 5%
Hamlets - 6%
Cities - 6%
Farms 10%
Hamlets 13%
Cities 17%
Towns 20%
Farms - 92%

Table 22

EXPENDITURES AND FINANCES — HOMEOWNERS WITHOUT MORTGAGE — 1969

		1st Q Under $3,000	*2nd Q $3,000-$6,000*	*3rd Q $6,000-$8,000*	*4th Q $8,000-$12,000*	*5th Q Over $12,000*	*TOTAL*
No. of Family Units 000's		443.4	460.4	268.7	353.9	222.0	1,748.3
% of Family Units		25	26	15	20	13	100
Av. Family Size: Persons		1.81	3.17	3.80	4.05	4.20	3.23
Av. Age of Head: Yrs.		67.7	57.7	52.0	51.3	52.2	57.4
Av. No. Full-time Earners		.13	.44	.79	1.05	1.42	.66
Shelter Expenditure	$	597.7	715.0	875.5	998.2	1,531.4	870.9
Shelter as % Income	%	32	16	13	10	8	12
Income	$	1,881.3	4,418.7	6,969.0	9,728.6	18,296.4	7,003.5
Net Change in Assets and Liabilities	$	−589.0	−171.6	+27.9	+540.8	+2,163.7	+193.8
Change in Assets as % of Income	%	−31	−4	0	+6	+12	+3

EXPENDITURES AND FINANCES — HOMEOWNERS WITH MORTGAGE — 1969

		1st Q Under $3,000	*2nd Q $3,000-$6,000*	*3rd Q $6,000-$8,000*	*4th Q $8,000-$12,000*	*5th Q Over $12,000*	*TOTAL*
No. of Family Units 000's		30.4	159.1	250.6	578.6	497.9	1,516.8
% of Family Units		2	11	17	38	33	100
Av. Family Size: Persons		2.98	3.98	4.14	4.48	4.53	4.36
Av. Age of Head: Yrs.		53.0	46.9	42.5	41.5	43.8	43.2
Av. No. of Full-time Earners		.42	.56	.85	1.03	1.33	1.04
Shelter Expenditure	$	995.8	1,171.5	1,438.6	1,667.4	2,122.3	1,712.7
Shelter as % Income	%	49	24	20	17	13	16
Income	$	1,945.0	4,774.5	7,054.9	9,767.4	16,649.9	10,898.0
Net Change in Assets and Liabilities	$	−1,401.2	−536.8	−209.7	+24.5	1,325.0	+315.9
Change in Assets as % of Income	%	−72	−11	−3	9	+8	+3

EXPENDITURES AND FINANCES — TENANTS: REGULAR — 1969

		1st Q Under $3,000	*2nd Q $3,000- $6,000*	*3rd Q $6,000- $8,000*	*4th Q $8,000- $12,000*	*5th Q Over $12,000*	*TOTAL*
No. of Family Units 000's		279.9	484.5	413.8	503.0	269.1	1,950.3
% of Family Units		14	25	21	26	14	100
Av. Family Size: Persons		1.61	2.62	3.27	3.36	3.12	2.87
Av. Age of Head: Yrs.		60.6	43.0	37.9	36.9	40.0	42.5
Av. No. Full-time Earners		.05	.51	.83	1.15	1.49	.81
Shelter Expenditure	$	871.5	1,082.8	1,303.6	1,497.2	1,886.2	1,317.0
Shelter as % Income	%	44	24	19	16	12	17
Income	$	1,970.9	4,597.7	6,966.4	9,600.7	15,517.4	7,520.2
Net Change in Assets and Liabilities	$	−299.8	−350.7	−264.7	+157.0	+1,308.1	−1.8
Change in Assets as % of Income	%	−15	−8	−4	+2	+8	−0

EXPENDITURES AND FINANCES — TENANTS: ROOMERS — 1969

		1st Q Under $3,000	*2nd Q $3,000- $6,000*	*3rd Q $6,000- $8,000*	*4th Q $8,000- $12,000*	*5th Q Over $12,000*	*TOTAL*
No. of Family Units 000's		157.8	124.6	49.5	23.3	3.6	358.8
% of Family Units		44	35	14	7	1	100
Av. Family Size: Persons		1.05	1.06	1.22	1.65	1.86	1.13
Av. Age of Head: Yrs.		57.4	32.3	36.0	34.3	35.5	44.1
Av. No. Full-time Earners		.14	.74	.79	.87	1.05	.49
Shelter Expenditure	$	419.0	474.0	530.7	1,012.9	942.0	497.3
Shelter as % Income	%	25	11	8	11	6	13
Income	$	1,657.7	4,300.2	6,684.2	9,558.5	14,703.5	3,912.9
Net Change in Assets and Liabilities	$	−78.1	−81.3	+163.6	+409.8	+432.0	−9.2
Change in Assets as % of Income	%	−5	−2	+2	+4	+3	−0

EXPENDITURES AND FINANCES — TENANTS: RENT FREE — 1969

		1st Q Under $3,000	2nd Q $3,000-$6,000	3rd Q $6,000-$8,000	4th Q $8,000-$12,000	5th Q Over $12,000	TOTAL
No. of Family Units 000's		54.1	31.0	12.3	4.0	4.3	105.7
% of Family Units		51	29	11	4	4	100
Av. Family Size: Persons		1.65	3.43	3.79	4.15	2.63	2.55
Av. Age of Head: Yrs.		57.7	44.9	38.8	41.8	48.8	50.8
Av. No. Full-time Earners		.25	.62	.96	1.03	1.20	.51
Shelter Expenditure	$	156.9	320.5	285.2	348.8	992.3	260.9
Shelter as % Income	%	10	7	4	4	6	7
Net Change in Assets and Liabilities	$	−192.4	−212.4	−185.2	+804.1	+4,430.0	+25.9
Change in Assets as % of Income	%	−12	−5	−3	+8	+27	+1

SOURCE: Statistics Canada: Family Expenditures 1969, Unpublished, Table 52A.

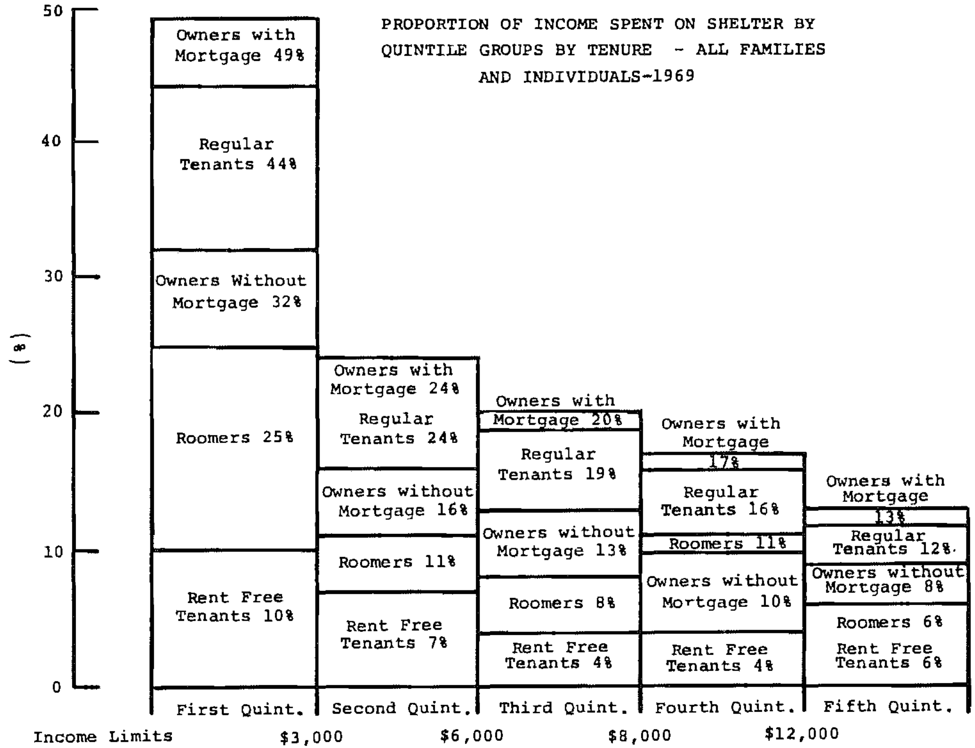
The data were also broken down on the basis of family size and status. Of all Canadian households in 1969, only 2,450,000 or 42 per cent were families with children. 1,142,000 or 21 per cent were unattached individuals. 1,296,000 or 24 per cent were 2 adult households. 563,000 or 11 per cent were households with 3 or more adults. As a result, within the low income group, the great majority of all households with incomes under $6,000 that spent in excess of either 20 or 25 per cent of their incomes for shelter were not families with children.

Thus 56 per cent of those households in the first quintile and 24 per cent of those in the second quintile paying more than 20 per cent of their income for shelter were unattached individuals. Thirty-two per cent in the first fifth and 31 per cent in the second fifth paying in excess of that ratio were households with 2 or more adults. Only 12 per cent of households in the first quintile and 45 per cent of households in the second quintile exceeding that ratio were families with children.

By the third quintile 67 per cent of households paying more than one fifth are families with children. But by the time one reaches that level, there are only 226,000 households spending in excess of 20 per cent of income for shelter. In the first 3 quintiles, there are only 440,000 families with children spending more than 20 per cent of income for housing. That is, 36 per cent of all families with children in the first 3 quintiles exceed the cut-off ratio.

CHART 8

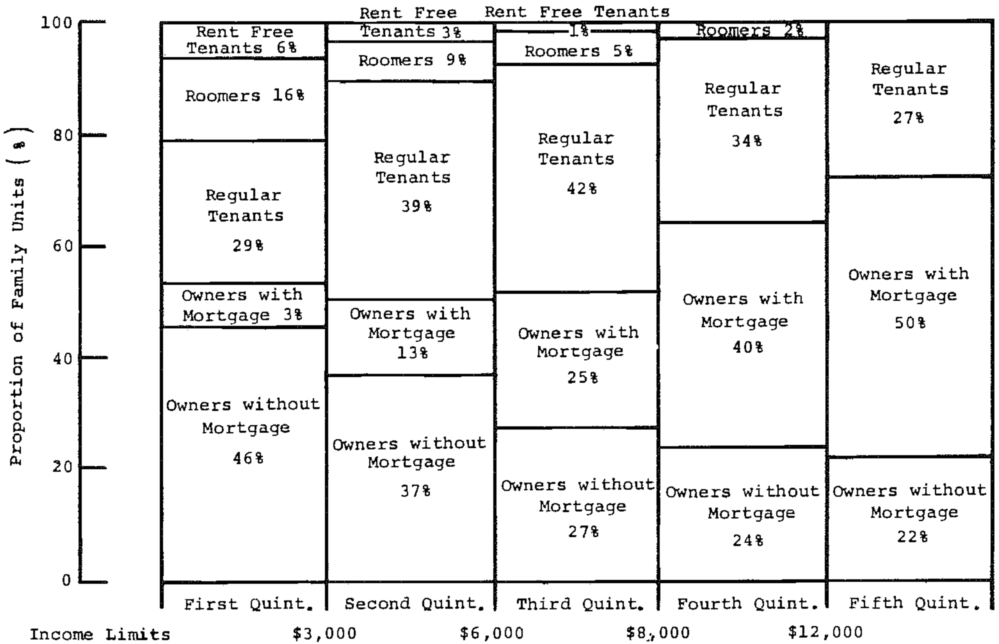
PROPORTION OF INCOME SPENT ON SHELTER BY QUINTILE GROUPS BY TENURE - ALL FAMILIES AND INDIVIDUALS-1969



Source: Statistics Canada, _Family Expenditures 1969_, Unpublished, Table 52A.

CHART 9

DISTRIBUTION OF FAMILY UNITS BY
QUINTILES, BY TENURE -- 1969



Source: Statistics Canada, "Family Expenditures, 1969," Unpublished, Table 52A.

The breakdown is set out in the following Table:

Table 23

HOUSEHOLDS SPENDING MORE THAN 20 PER CENT OF INCOME ON SHELTER — 1969

	1st quintile No. 000's	%	*2nd quintile* No. 000's	%	*3rd quintile* No. 000's	%	*4th quintile* No. 000's	%
Individuals............	432	56	106	24	22	10		
2 adults...............	247	32	140	31	52	23		
Single adults, 1+ children.............	29	4	21	5	8	3		
2 adults, 1 or 2 children.............	34	4	90	20	78	34	89	37
2 adults, 3 children.............	12	2	30	7	34	15	41	17
2 adults, 4 children.............	7	1	29	7	15	7	21	9
3 adults, 1+ children.............	8	1	28	6	17	8		
Total.............	769	100	444	100	226	100	242	100

SOURCE: Statistics Canada: Family Expenditures 1969, Unpublished, Table 52A.

The small number of families with children spending more than 20 per cent of income does not convince us that there is not a substantial cost problem for families. Rather, it leads us to question the adequacy of the one fifth ratio as an indication of housing price problems. As was stipulated earlier, that fraction was adopted as a rough indicator of the magnitude of the problem. Considerable work must be done to establish reasonable shelter-to-income ratios for different sized families at different income levels. For example, it may well be that the 113,000 families with children in the first quintile can afford to pay nothing, or at best a token amount of their incomes for shelter.

Secondly, lower shelter to income ratios may, in some cases, be obtained at the expense of poor housing conditions. In the case of large families in particular, cheaper housing means crowding and poorer housing conditions. In 1969, 38 per cent of families with two children, 43 per cent of families with three children, and only 31 per cent of families with four or more children paid more than a one fifth ratio. Yet one would have expected large families to require more space and therefore more expensive accommodation. Fewer of them purchase more expensive shelter than smaller families. The money is needed for food, clothing, medical care and education.

Table 24 which follows, compares the housing condition of large low income families with all low income families. Large low income families have a fifty per cent higher incidence of lack of plumbing and heating facilities than all low income families. They are also substantially more crowded, with an average of 1.42 persons per room, i.e. double the average of four person households.

Table 24

THE HOUSING STATUS OF LARGE FAMILIES HAVING FOUR OR MORE CHILDREN AND OF ALL FAMILIES — 1967

	Households *No. ('000)*	%	*Age:* *Pre-1940* %	*Lacking* *Water* %	*Lacking* *Toilet* %	*Lacking* *Furnace* %
Large Families:						
1st quintile (less than $4,000)...	102.5	18	55	15	21	48
Bottom two quintiles (less than $6,000)............	242.3	43	52	10	15	40
5th quintile (more than $10,000)...............	105.0	19	31	2	3	13
Average......................	566.7	100	42	5	9	27
All Families:						
1st quintile (less than $4,000)...	885.0		54	10	14	39
Bottom two quintiles (less than $6,000)............	1733.8		50	7	10	34
Top quintile (more than $10,000)	969.3		27	1	1	10
Average......................	4328.4		39	4	5	22

SOURCES: DBS Household Facilities Survey, 1967, unpublished Series B. Also, DBS 1967 Urban Family Expenditure, unpublished, Tables 100 and 103.

Tenure

In 1967 approximately 63 per cent of households in the bottom two quintiles owned their own homes. With the increasing shift to tenancy, that proportion will decrease. While they too had inferior dwelling conditions and high shelter to income ratios, when compared to the average Canadian household, they were not as badly off a group as low income tenants. As can be seen from Table 22 their expenditures on shelter were less onerous. And they had the status and dignity of homeowners, together with the freedom and security that go with the status.

Low income renters, on the other hand, had the various disabilities and problems that go with tenancy and its antiquated sixteenth century legal concepts, plus the added disadvantages that low income, limited education and no bargaining power bring to any contractual arrangement.

Thus in most provinces (except perhaps Quebec) tenants do not sign leases. They have almost no security of tenure. They are monthly tenants whose rights to possession can be terminated on one month's notice, without reason. Their security of tenure is further threatened by the power of the landlord (even where eviction is not intended) to raise their rents by any amount, again on one month's notice. While the common law gives them a right of quiet possession, to peaceably use the premises as they see fit, the landlord may hedge it about with any rules and regulations which he wishes to exact as a condition of the tenancy. While that right should theoretically include a right of privacy and of freedom from intrusion by the landlord, entries are in fact made in the guise of inspections of the state of repair. It is curious, indeed, that that should be a matter of concern because the landlord is under no common law obligation to keep the premises in repair. Or to supply hot and cold running water. Or to provide premises which are fit for habitation.

As a quaint part of the laws' agricultural heritage the landlord is entitled to seize the tenant's goods for non-payment of rent. He can similarly resort to self help and physically evict the tenant in case of a breach of the lease. The list could go on and on . . . Some of those abuses have recently been limited by statute in some jurisdictions, although none have touched the fundamental problems of security of tenure and of the right of landlords to demand what the traffic will bear. Equally important, while some changes exist in the statute books, one may remain sceptical about the extent to which the poor will be able and willing to enforce their paper rights. They have a notorious (and justified) dislike for dealing with lawyers and courts. It will be some time before legal aid systems and storefront lawyers convince them that it pays to fight the landlord. The prospects for increased rights for tenants lie in changing not the law but the landlord.

Chapter 3

Housing and Inflation

The federal government's policy advisors have informed it that:[1]

> To the extent that shelter costs are not outpacing and are probably lagging income increases, so that housing accommodations are generally affordable, there is no housing problem; . . .
> To the extent that there is likely a group of low income families living in soon to be demolished or previously demolished core dwellings who cannot or will not be able to find satisfactory alternative accommodations, there is a housing problem — or more properly an income or poverty problem.

The essence of that opinion is that as long as average increases in incomes outpace the average rate of growth in housing costs, there is no housing problem. Increases on the order of five per cent or more annually in housing cost are tolerable. Low income households may be hurt more than the average household, but they do not have a housing problem, they have an income or poverty problem. Implicit in that assertion is the suggestion that to solve their problem only income transfers are required. Once they are made, nothing more need be done about housing cost.

While housing policy makers and their advisers may not be concerned about the rate of growth in housing costs, it appears that (indirectly at least) Canadian governments are. Inflation has been the dominant issue in Canadian politics for the last two years. It has transfixed both Canadian governments and citizens. Strong measures have been taken to curb it. Unemployment levels have doubled from decadal lows.

Along with government spending, housing and construction generally have been major factors in inflation. Housing has a weight of one-third in the Consumer Price Index. For all Canadian households it is the single most important expense which they incur yearly. Constantly increasing housing prices are therefore an important stimulus to inflationary psychology. A closer look at the causes of housing price inflation, the techniques adopted to deal with it, and their implication for low income households is therefore warranted.

Inflation has been more pronounced in the housing sector than in any

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[1] "Housing in Canada," Research Monograph No. 2, *Urban Canada: Problems and Prospects* (Ottawa: CMHC, 1971), p. 19.

other. Rent increases and cost increases for homeownership and maintenance can be attributed to six sources: rising land costs, labour costs, material costs and interest rates, and restrictive monetary policy, rising property taxes and restrictive local administration, and rising consumer demand through population and income growth. Evidence concerning changes in these sources of cost increases is presented in the following pages.

Changes in production costs mean changes in consumer prices, which in turn mean shifts in consumer expenditures and quantities demanded. In particular, rises in housing costs mean shifts from ownership to rental, from larger to smaller accommodation, and from asset accumulation to indebtedness. These shifts are more severe for the low income population than for any other group. Consumer reaction to housing inflation is examined below, in an attempt to judge the impact of price changes on the various income groups.

There are five sets of price data which allow us to gauge the strength of inflation in the markets for housing. Some of these items are pictured in Chart 1, where for comparison are also shown the two main economic indicators — the overall price index measured by the Gross National Expenditure deflator, and real income measured by the index of Gross National Product in constant 1961 dollars.

Among the five sets of data, there is, first, the consumer price index of which the shelter component in December 1971 stood at 153.5 — a full 7.9 index points higher than the previous year. (The CPI as a whole stood at 136.3 — 6.5 points over the previous year.)[2] Table 1 shows these data for the last decade.

Secondly, there are the figures on gross debt service for new single-detached dwellings under the National Housing Act. In 1970, gross debt service including principal, interest, and taxes, cost the new homeowner on the average $236 per month. This figure, expressed as an index with 1961 = 100, stands at 224.9 — a full 23.1 index points higher than the previous year.[3] Table 2 contains these numbers year by year.

Thirdly, there is the implicit price index for residential construction in the National Accounts. In the third quarter of 1971, this index stood at 150.2 — a full 9.1 index points higher than the previous year. (The index for GNE as a whole stood at 138.5 — an increase of 4.2 points over the previous year.)[4] Table 3 has these figures.

Fourthly, there are the indexes of the cost of producing a single-detached dwelling under the National Housing Act. In 1970, the index of total cost (adjusted for changes in the size of dwelling) stood at 148.1 — an increase of 4.4 points over the previous year. This index of total costs has two components. The index of construction cost per square foot stood at 143.1 — an increase of 3.3 over the previous year.[5] Table 4 contains these indexes.

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[2] *Prices and Price Indexes* (Ottawa: Statistics Canada, 1971), Cat. 62-002.
[3] *Canadian Housing Statistics, 1970* (Ottawa: CMHC, 1971), Table 103.
[4] *National Income and Expenditure Accounts* (Ottawa: Statistics Canada, 1971), Cat. 13-001.
[5] *Canadian Housing Statistics, 1970,* Table 112.

Fifthly, there are the price indexes for productive factors in residential building. In December 1971, the price index for residential building materials stood at 149.1 — a full 10.7 points higher than the previous year.[6] In December 1971, the index of wage rates in the construction industry stood at 221.7 — an increase of 20.2 points over the previous year.[7] Table 5 shows these figures.

These five sets of data reflect price changes at different stages of the consumption/marketing/production process for dwellings. The consumer price index depicts the situation of the typical consumer. The debt service data describe the position of the new home buyer. The National Accounts figures measure new production by the residential construction sector as a whole. The data on the costs of NHA dwellings come from borrower's or builder's estimates made at the time of loan applications. The factor price figures come from direct surveys carried out by Statistics Canada and the Department of Labour.

Table 1

CONSUMER PRICE INDEXES — 1961 - 1971

	All Items	*Housing*	*Shelter*
1961	100.0	100.0	100.0
1962	101.2	101.2	101.6
1963	103.0	102.3	103.4
1964	104.8	103.9	106.0
1965	107.4	105.8	108.8
1966	111.4	108.7	112.2
1967	115.4	113.4	117.5
1968	120.1	118.6	124.6
1969	125.5	124.7	133.1
1970	129.7	130.9	141.8
Dec. 1971	136.3	139.8	153.5

SOURCE: Statistics Canada, Cat. 62-002, *Prices and Price Indexes* (Ottawa: Information Canada, 1971).

Table 2

MONTHLY GROSS DEBT SERVICE ON NEW SINGLE-DETACHED NHA DWELLINGS — 1961 - 1970

	Principal and Interest		*Taxes*		*Total*	
	$	*Index*	$	*Index*	$	*Index*
1961	81.98	100.0	22.98	100.0	104.96	100.0
1962	84.67	103.3	22.45	97.7	107.12	102.1
1963	84.12	102.7	26.04	113.4	110.16	105.0
1964	87.67	107.0	26.55	115.6	114.22	108.9
1965	90.37	110.3	28.18	122.7	118.55	113.0
1966	100.64	122.8	29.06	126.5	129.70	123.6
1967	108.10	131.9	30.02	130.7	138.12	131.6
1968	148.71	181.4	41.97	182.7	190.68	181.7
1969	166.73	203.4	44.99	195.8	211.72	201.8
1970	189.05	230.6	46.97	204.4	236.02	224.9

SOURCE: *Canadian Housing Statistics, 1970* (Ottawa: CMHC, 1971), Table 103.

[6] *Canadian Statistical Review* (Ottawa: Statistics Canada, 1971), Cat. 11-004.
[7] Statistics Canada, Cat. 62-002, *op. cit.*

Table 3

IMPLICIT PRICE INDEXES
IN GROSS NATIONAL EXPENDITURE — 1961 - 1971

	Residential Construction	*Non-Residential Construction*	*Gross National Expenditure*
1961	100.0	100.0	100.0
1962	100.0	100.9	101.5
1963	102.2	103.1	103.3
1964	106.9	104.3	106.0
1965	112.3	110.4	109.0
1966	119.2	117.7	114.5
1967	126.6	118.2	118.4
1968	129.2	120.1	122.5
1969	136.0	127.7	128.3
1970	140.5	133.1	133.6
3rd Quarter 1971	150.2	141.5	138.5

SOURCE: Statistics Canada, Cat. 13-001, *National Income and Expenditure Accounts* (Ottawa: Statistics Canada, 1971).

Table 4

INDEXES OF COSTS OF PRODUCING A SINGLE-DETACHED
DWELLING UNDER THE NHA — 1961 - 1970

	Land Cost	*Construction Cost per Square Foot*	*Total Cost Adjusted for Size Changes*
1961	100.0	100.0	100.0
1962	107.0	98.3	99.3
1963	114.3	99.0	100.9
1964	118.4	103.1	104.8
1965	118.9	109.3	110.0
1966	133.7	117.7	119.0
1967	137.6	122.9	124.5
1968	144.0	130.5	133.2
1969	161.5	139.8	143.7
1970	164.5	143.1	148.1

SOURCE: *Canadian Housing Statistics, 1970* (Ottawa: CMHC, 1971), Table 112.

Table 5

PRICE INDEXES OF PRODUCTIVE FACTORS — 1961 - 1971

	Building Materials		*Wage Rates*	*Composite Indexes Wage Rates Plus:*	
	Residential	*Non-Residential*	*All Construction*	*Residential*	*Non-Resid.*
1961	100.0	100.0	100.0	100.0	100.0
1962	100.7	99.1	104.4	102.5	101.5
1963	104.1	101.8	108.1	106.0	104.6
1964	109.5	106.6	113.3	111.3	109.5
1965	115.8	111.5	118.6	117.1	114.7
1966	120.5	115.4	128.1	124.2	121.1
1967	125.3	117.8	140.8	132.8	128.2
1968	132.1	120.7	152.8	142.0	135.1
1969	139.2	126.1	164.5	151.4	143.3
1970	137.6	129.5	188.7	162.2	156.1
December 1971	149.1	136.3	221.7	184.0	174.6

SOURCE: Statistics Canada, Cat. 62-002, *Prices and Price Indexes* (Ottawa: Statistics Canada, 1971).

In spite of their diverse content, these five sets of data all tell the same story. Inflation in the housing sector and the construction industry has been more serious than in any other part of the economy (with the exception of the government sector). The rates of increase in the various indexes since 1965 and particularly in the last several years are cause for concern particularly when we recall the strong measures taken by the federal government to control inflation and the social costs imposed as a result.

The Impact of Rising Production Costs on Housing Prices Generally

There is a close relationship between the markets for newly produced houses and the markets for existing houses. Chart 2 shows price movements over the past decade for new and existing houses in Canada and in the three largest cities. The figures for new houses are estimates by builders under National Housing Act (NHA) financing.[8] The figures for existing houses are real estate prices quoted by the Multiple Listing Service of the Canadian Association of Real Estate Boards.[9] The Chart shows that prices of existing houses have moved parallel to prices of new NHA houses. In Vancouver, Toronto and Canada as a whole, the absolute dollar amounts for new and existing houses have remained within a range of one or two thousand dollars.

Further evidence on the relationship between the markets for new and for existing houses comes from the 1961 census. For the entire stock of houses as of 1961, householder's estimates of the value of their dwelling are available from the census.[10] Chart 3 shows the distribution of values for houses built during four periods: prior to 1920, 1920 to 1945, 1946 to 1959, 1960 and 1961, and the distribution of costs of NHA houses built in 1961. These data show that even when the houses are fifteen or more years old, people's estimates of the value of their dwellings follow closely the prices of newly-produced houses.

The average price of NHA houses produced in 1961 was $14,800. The median value reported in the census for houses built 1960-61 was $14,200, and for houses built 1945-59, $13,200. At the same time, the average price paid for existing houses sold under the Multiple Listing Service in Canada was $14,900. These figures bear a close relationship to each other. Apparently they move together.

On the basis of those relationships, it appears that the costs of new houses are a major influence on the prices of houses in general, despite the fact that they represent a very small increment in the total stock. The number of single-detached dwellings produced in a year in Canada is currently about

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[8] *Canadian Housing Statistics, 1970,* Table 18. Also, *Statistical Handbook* (Ottawa: CMHC, periodical), pp. C-8 to C-18.

[9] *The Canadian Realtor* (Toronto: Canadian Association of Real Estate Boards, periodical), data from Vol. 14, No. 2, Feb., 1968, p. 8 and Vol. 16, No. 2, May 1970, p. 137. Also, *Globe and Mail* (Toronto), July 28, 1971, p. B1.

[10] *1961 Census of Canada, Population Sample* (Ottawa: Statistics Canada, 1965), Cat. 98-505, Table E5.

75 thousand (a third of which are financed under the NHA). The total stock of single-detached dwellings in Canada is about 3.5 million (about 2 million of which have been built since 1945). Yet, the prices of new houses dominate the markets for all houses.

Detailed data exist on the cost components of NHA houses. Those data are examined in detail below. Even though NHA houses represent only about a third of all newly produced houses and only a small fraction of the total stock, the repercussions of price movements in new dwellings on property values generally are sufficiently strong to warrant further consideration.

Six sources of inflation in housing can be designated: land, labour, and material costs, interest rates, property taxes and growth in consumer demands. Some of these factors — labour costs, material costs, interest rates, and aggregate demand — affect the various geographical areas in similar ways. Their influence appears in the data as changes through time, regardless of geographical area. Others of the factors — land costs, property taxes and local demand — are specific to particular geographical areas. Their influence appears as differences among the areas.

The influences of the various factor costs can be distinguished by comparing their changes with changes in dwelling costs at particular times and in specific geographical areas. These are depicted in the graphs which follow.

Changes over the past decade in the cost of new single-detached NHA dwellings are shown for Canada and sixteen metropolitan areas in Chart 4. The cost figures are estimates by builders financed under the NHA.[11] They are expressed in index form.

The chief fact that emerges from Chart 4 is that all cities experienced a sharp increase in the costs of houses during 1966, and that all except those in Quebec and Newfoundland experienced another increase in 1969. In each instance, the index for Canada jumped 15 points. Aside from these dates, the Canadian average and many cities showed a creeping increase from 1961 to 1965. The index for Canada rose about 15 points over this period. Canada and several of the cities showed virtually no change from 1966 to 1968, and from 1961 to 1971.

Consequently, we are led to look for major nationwide events to explain the rises in 1966 and 1969 and for particular local events to explain the rises and falls in the various cities in the other years. The contrast between the Quebec and Ontario cities during the latter half of the decade is especially noteworthy.

The Impact of Land and Construction Costs on Housing Costs Generally

The only data available on the components of housing costs over the past decade are for NHA bungalows. For Canada as a whole, bungalows have consistently accounted for about 75 per cent of all NHA single-detached

[11] CMHC, *Statistical Handbook, op. cit.*, pp. C-8 to C-18.

dwellings over the decade. However, for some markets, bungalows represent a much smaller proportion of the market. In Toronto, the proportion is about 35 per cent of all NHA single-detached. Nevertheless, since these are the only consistent series of data available, they must be used. While the absolute dollar values associated with the statements concerning bungalows may not be valid for all single-detached dwellings, the ratios of dollar values are valid. The ratios for single-detached dwelling can be confirmed from CMHC statistics for the past two or three years. The figures for individual cities represent all loans made by the CMHC office located there, and are not restricted to the area of the city itself.

Table 6 shows land costs, total dwelling costs, and the ratio of these two, for Canada and six cities over the past decade.[12] The key fact to emerge from the Table is that land costs have been a constant proportion of dwelling costs in all areas throughout this period, except perhaps for the final year shown, 1970. This same information is plotted with the use of a ratio scale in Chart 5.

The constancy of land costs as a proportion of dwelling costs is particularly interesting in the case of Montreal where land and dwelling costs rose

Table 6

LAND COSTS AS A PERCENTAGE OF TOTAL COSTS FOR NEW NHA BUNGALOWS

(Thousand Dollars)

	CANADA			*Halifax*			*Montreal*			*Toronto*		
	Land $	*Total* $	*Ratio* %	*Land* $	*Total* $	*Ratio* %	*Land* $	*Total* $	*Ratio* %	*Land* $	*Total* $	*Ratio* %
1961......	2.4	14.5	17	1.9	14.4	13	1.7	13.2	13	5.1	17.4	29
1962......	2.5	14.7	17	2.0	15.0	13	2.0	14.2	14	5.3	17.0	31
1963......	2.7	15.1	18	2.1	15.2	14	2.2	15.0	15	5.0	17.1	29
1964......	2.8	15.8	18	2.0	15.3	13	2.4	16.2	15	5.1	17.5	29
1965......	2.8	16.6	17	2.0	16.3	12	2.5	17.0	15	5.8	19.7	29
1966......	3.0	18.1	17	2.0	17.0	12	2.6	18.1	14	7.1	23.1	31
1967......	3.2	18.5	17	2.0	17.8	11	1.9	15.9	12	8.3	24.9	33
1968......	3.4	18.9	18	2.1	18.8	11	2.1	16.6	13	8.8	26.5	33
1969......	3.6	20.3	18	2.9	21.5	13	1.7	15.1	11	9.5	28.8	33
1970......	3.7	20.1	18	3.2	23.0	14	2.0	15.1	13	10.4	30.0	35

	Winnipeg			*Edmonton*			*Vancouver*		
	Land $	*Total* $	*Ratio* %	*Land* $	*Total* $	*Ratio* %	*Land* $	*Total* $	*Ratio* %
1961.......	2.7	15.3	18	3.1	14.9	21	3.6	16.6	22
1962.......	2.8	15.6	18	3.1	15.1	21	3.6	17.0	21
1963.......	2.9	15.7	18	3.2	15.1	21	3.4	16.1	21
1964.......	3.2	16.6	19	3.3	15.6	21	3.4	17.0	20
1965.......	3.2	17.2	19	3.5	16.5	21	3.5	18.3	19
1966.......	3.1	18.3	17	3.6	18.0	20	3.8	19.6	19
1967.......	3.1	18.6	17	3.7	19.0	20	4.0	20.7	19
1968.......	3.7	19.6	19	4.3	19.7	22	4.5	21.8	21
1969.......	4.0	21.6	19	4.6	22.1	21	5.6	23.9	23
1970.......	4.3	22.2	19	5.3	24.3	22	7.0	25.2	28

SOURCE: *Canadian Housing Statistics, 1963*, CMHC, p. 80; *Statistical Handbook*, CMHC, pp. C-5(a) and C-4(a).

[12] *Canadian Housing Statistics, 1963*, p. 80; Also, *Statistical Handbook*, CMHC, pp. C-5(a) and C-4(a).

in some years and fell in others, but always in the same proportion. This behaviour suggests that building costs are established as a proportionate mark-up over land costs. Thus the effect of rapidly increasing land costs is augmented by a proportionate increase in the cost of the unit produced.

The cost of land in some areas includes an amount which the developer pays for the installation of water, sewer and other community services. In other areas, such services are not included in the price of the lot, but rather are covered through local taxation. Differences in these practices account for some of the differences in land costs among the cities. Montreal, in particular, pays for lot servicing through local taxation. However, there have been no appreciable changes in the method of financing services over the past decade. About 65 per cent of lots for NHA single-detached dwellings in all of Canada have services that are fully paid by the developer. This percentage has not changed since 1961.[13]

Figures on land costs and on construction costs per square foot, for Canada and six cities, are plotted in index number form in Chart 6. This presentation brings out clearly the differences among the cities in relative cost movements.[14] Increases in land costs have been very great in Toronto, Vancouver and recently Halifax and steadier in Winnipeg, Edmonton, and Canada as a whole. There were strong increases for land in Montreal until 1966 and then strong declines. Aside from Montreal, all the pronounced increases in land costs have taken place since 1966.

By contrast to the land cost figures, the data on construction costs per square foot show little difference from city to city. In all cases, there has been a steady rise in construction costs, year by year since 1965. In the period 1964 to 1968, construction costs per square foot increased at a somewhat faster rate than did land costs, except in Toronto. However, land cost increases dominated the picture during the periods 1961 to 1964 and 1969 to 1970.

As construction costs per square foot continued to rise, builders tended to keep the total cost of the dwelling from rising a proportionate amount, reducing the size of the house. This pattern is shown in Chart 7. The adjustments made in the floor area are particularly evident for Montreal.

This examination of data on the cost components of new NHA bungalows, leads to the conclusion that fluctuations in land costs have been accompanied by similar fluctuations in dwelling costs. Construction costs have exerted constant upward pressure, but their influence on total costs has been largely counteracted through reductions in dwelling sizes.

Comparing the cost components of apartment units with those of bungalows leads to similar conclusions. CMHC cost data for apartments are available just for Canada as a whole and only for the period 1961 to 1967. The figures on land cost per unit, total dwelling cost per unit, the ratio of these, construction cost per square foot, the average floor area, are shown in Table 7.[15] These data are plotted in Charts 8 and 9.

[13] *Statistical Handbook,* CMHC, p. D-8.
[14] *Ibid.*, pp. C-4(a) and C-5(a).
[15] *Ibid.*, p. C-2.

Table 7

CHANGES IN COST COMPONENTS OF APARTMENTS UNDER NHA

(Cost per Apartment Unit)

	Land Cost $	*Total Cost* $	*Land/ Total* %	*Construction Cost Per Sq. Ft.* $	*Average Floor Area Sq. Ft.*
1961	1,259	9,770	13	9.44	864
1962	1,125	9,720	12	9.58	860
1963	1,277	10,071	13	9.33	901
1964	1,650	12,215	13	10.77	928
1965	1,590	12,739	13	10.71	975
1966	1,901	12,853	15	11.59	887
1967	1,853	13,523	14	12.09	911

SOURCE: *Statistical Handbook*, CMHC, p. C-2.

Land and total dwelling costs per unit, in dollar terms, are both lower for apartments than for bungalows. So is the ratio for land to total cost. But again, for apartments as for bungalows, the ratio has shown a remarkable constancy over the years for which data are available (although 1966 seems to be an exception). Land and total costs rise and in the case of 1962, fall together. Construction costs per square foot increased over the whole period except for 1963. Sizes of dwelling units increased to 1965 and declined rather sharply thereafter.

For apartments, both land and construction costs showed a large increase in 1964. These increases were reflected in total costs. In that one year, land costs rose by 30 per cent, construction costs per square foot rose by 15 per cent, and total dwelling costs rose by 22 per cent.

The other major increase took place in 1966. Land costs rose by 25 per cent, construction costs rose by 10 per cent, but total costs did not rise. Rather, dwelling sizes were reduced by 10 per cent.

Price movements in both land and construction seem to show similar trends for apartments as for bungalows. There is some indication that the changes appear earlier and the responses occur more sharply for apartments than for bungalows. Yet, the total effect over the years is similar.

The Sources of Housing Inflation Demand Pull and Cost Push

Besides affecting the prices of dwellings, movements in the cost components affect the volume of production (and vice versa). We noted above that the large increases in the total cost of bungalows took place in 1966 and 1969, with a gradual increase taking place from 1961 to 1965. The large increases in the component costs of apartment units took place in 1964 and 1966 (and probably 1969). It is of interest to examine total production in these years.

Dwelling starts for single units (along with semi-detached and duplexes) and for multiple units (row houses as well as apartments) are plotted for Canada and three cities in Chart 10. A ratio scale is used. These data refer to all starts and not just to NHA financed dwellings.[16]

It is apparent that the number of single, semi and duplex dwellings built in Canada as a whole has been steady at 80 to 90 thousand per year over the decade. There have been large fluctuations in individual cities. The number of multiple units, however, has shown substantial variation over the decade for all of Canada as well as for the cities.

The volume of production of singles, semis and duplexes has been consistently higher in Montreal than in Toronto. Costs of dwellings have been lower in Montreal. The volume of production of multiples has been similar for Montreal and Toronto.

Cost increases for single dwellings during the early 1960's were accompanied by steady production for Canada as a whole, and increases in production for the three cities. The sharp increase in costs during 1966 was accompanied by a minor decline in production for Canada as a whole, a substantial decline for Montreal, a levelling-off from a decline in the previous year for Toronto, and an increase for Vancouver.

Increases in production and sales accompanied by increases in prices suggest demand-pull. This seems to be what happened in the markets for Montreal and Toronto until about 1965, and Vancouver until 1967. Declines in production accompanied by increases in prices suggests normal market behaviour. Demand falls with rising prices and increases with falling prices. This seems to be what happened for Montreal from 1965 to 1968, for Toronto from 1965 to 1971, and for Vancouver from 1967 to 1971. Declines in production accompanied by declines in prices suggest a weakening of consumer demand and cost-pull. This seems to be the situation in Montreal during the late 1960's.

Cost increases for multiple dwellings during 1964 were accompanied by increases in production. This suggests demand-pull. Cost increases in 1966 were accompanied by sharp declines in production. This suggests normal market behaviour. Substantial increases in construction costs during the late 1960's, as documented in Table 5 above, were accompanied by production declines. This again suggests normal market behaviour.

Thus, in markets for both single and multiple dwellings, demand-pull seemed to prevail during the first half of the 1960's. Costs increased sharply in response to strong demand. Cost-push seemed to prevail during the latter half of the 1960's, and demand responded in the normal manner. Cost increases for land and construction were accompanied by declines in production as well as by reductions in the sizes of dwellings.

To the extent that normal market conditions prevail, one would expect that a severe decline in demand would eventually influence land and construc-

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[16] *Canadian Housing Statistics, 1970,* CMHC, Table 10; also *Statistical Handbook,* CMHC, pp. A-9 to A-11.

tion costs, and cause them to decline. To date, that has not been the case, except perhaps in Montreal. Costs are continuing to rise. As one off-setting factor, the construction industry is experiencing heavy unemployment, particularly in Toronto.

However, total demand for housing has not declined as much as it otherwise would. During recent years, governments have augmented private demand to an increasing extent. CMHC "Aids to Low Income Groups" under sections 15, 40 and 43 of the NHA and their "Special Innovative Program" under sections 15 and 58, represented 3.6 per cent of total housing starts in 1966; 5.1 per cent in 1967; 6.1 per cent in 1968; 11.8 per cent in 1969; 26.3 per cent in 1970; and 13.8 per cent in the first half of 1971.[17] These programs during 1970 represented 24.2 per cent of all starts in Vancouver; 40.2 per cent in Toronto; and 42.2 per cent in Montreal.[18]

When costs are high, it is apparent that private demand for dwellings is low, but government demand is not low. Price corrections which might otherwise have occurred were prevented by government efforts to increase social housing production. That is not to say that the emerging emphasis on social housing was a mistake. To the contrary, it was long overdue. But its application in 1970 worked at cross purposes with stabilization policy. Tight money was intended to cool off the economy to reduce competition among various sectors for society's scarce resources. Housing was protected from that cooling off process and costs continued to rise.

If housing prices are to be controlled only by supply and demand, then governments should not intervene and attempt to produce increased amounts of social housing when demand is falling and price corrections are occurring. On the other hand, if governments do not intervene to ensure that housing production remains at an adequate level, then shortages develop and vacancy rates drop. That happened, for example, in 1967 when tight money resulted in a vacancy rate in all metropolitan centres of 1.3 per cent, and in even lower vacancy rates in high growth centres. Those effects can be seen in Table 8. With shortages, prices rise. Builders rush back in when mortgage money is available. And another round of inflation sets in.

If the federal government had not intervened in 1970 to finance the construction of 45,000 low income rental housing units, then at the end of 1971 the vacancy rate in rental units would have been some 2.2 per cent lower than its December level of 3.8 per cent.

The Effect of Monetary Policy

Rates of interest on borrowed money are unlike any other prices. They serve to bridge the gulf between the concrete present and the uncertain future. Interest rate changes have effects throughout the housing sector. They influence the profitability of holding land, the costs of building and marketing houses, the capability of families to finance purchases.

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[17] *Statistical Handbook*, CMHC, pp. H-33 and H-35.
[18] *Canadian Housing Statistics, 1970*, CMHC, Tables 7 and 55.

Table 8

VACANCY RATES IN PRIVATELY INITIATED APARTMENT STRUCTURES OF SIX UNITS AND OVER, BY AREA — 1963 - 1971[1] (Per Cent)

Area[2]	*1963*	*1964*	*1965*	*1966*	*1967*	*1968*	*1969*	*1970*	*1971*	
									June	*December*
Metropolitan Areas										
Calgary	14.4	11.6	8.0	5.8	1.6	1.3	1.7	5.8	10.7	6.7
Edmonton	9.2	13.0	6.5	2.8	2.8	2.8	3.7	5.7	6.3	5.1
Halifax	4.9	4.4	5.4	3.8	2.8	0.5	0.5	2.6	4.1	3.7
Hamilton	**	**	1.4	1.5	1.4	1.9	1.3	2.9	2.2	2.1
Kitchener	**	**	**	**	**	**	**	5.4	6.3	**
London	**	**	**	**	**	**	4.0	6.5	6.3	2.5
Montreal	**	**	**	4.5	1.2	5.0	7.6	8.2	7.2	4.4
Ottawa-Hull	**	8.2	9.1	7.6	2.1	1.5	1.7	2.2	2.1	1.8
Ottawa	**	**	**	7.7	2.2	1.5	1.7	2.3	2.0	1.6
Hull	**	**	**	3.9	0.8	0.5	1.0	1.6	3.5	4.3
Quebec	**	**	**	4.8	2.2	2.2	2.8	3.8	4.8	3.9
Regina	**	**	**	**	**	**	3.8	10.7	6.6	**
Saint John	**	**	**	**	**	**	0.5	2.3	1.0	**
St. John's	**	**	**	**	**	**	18.9	20.7	3.6	**
Saskatoon	**	**	**	**	**	**	10.2	20.4	16.9	**
Sudbury	**	**	**	**	**	**	**	0.3	0.3	**
Toronto	4.4	2.8	1.6	1.0	1.2	1.5	2.7	2.8	3.0	3.6
Vancouver	4.2	4.7	4.0	1.5	1.0	1.3	1.2	2.7	4.1	2.8
Victoria	**	**	**	**	**	**	3.2	5.3	4.1	**
Windsor	**	**	**	**	1.1	1.6	0.6	0.9	2.1	1.9
Winnipeg	3.7	5.6	4.9	4.1	1.7	1.6	1.6	2.6	3.5	5.7
Average vacancy Rate[3]	6.1	5.5	4.5	3.1	1.3	2.7	4.0	5.0	5.0	3.8

[1] Data for the period 1963-1970 relate to the month of June.
[2] Data on 1966 Census Area definitions.
[3] Weighted by number of units.

SOURCE: *Canadian Housing Statistics, 1971*, CMHC, Table 18.

The pattern of interest rate changes over the past decade is shown in Chart 11. Large increases took place during 1968, 1969 and 1970. These, of course, are the years of the anti-inflationary, tight money policy of the federal government. A substantial decline in interest rates occurred during 1971, following a decline in Bank of Canada rates.

Particularly important is the increase in the rates on private insured loans by approved NHA lenders. Until 1967 the permissible rate on such a lóan was controlled by regulation. In that year the rate was raised in order to attract more institutional money into residential mortgages. The alternatives would have been regulations requiring increased lending at a fixed rate or increased government lending. The effect was an increase of three per cent in interest rates on insured loans.

The consequences of these changes in interest rates are particularly important for purchasers of new homes. The trend over the past decade in the total cost of a dwelling, and the average monthly payments necessary to finance and pay taxes on the dwelling are shown in Chart 12. Total debt service includes payments on principal and interest, plus property taxes. The data refer to NHA single detached dwellings. The basic data were tabulated above in Table 2. They are expressed in index number form here.[19]

The conclusion to be drawn from Chart 12 is that while the cost of a dwelling has risen appreciably over the past decade, the tax and mortgage payments needed to pay for this dwelling have increased much more. In particular, the increases were massive during 1968, 1969 and 1970 — the period of tight money. The cost of servicing debt on a new house has undoubtedly been the major factor in dampening consumer demand during the past four years.

Having imposed tight money to restrain inflation, governments become nervous when the easing of restraints appears to bring with it renewed inflation. In the housing sector, renewed price inflation is only to be expected. The effects of earlier high interest rates, built into thirty and forty year mortgages continue to be felt. Even with easier money, residential mortgage rates remain sticky.

Most importantly, tight money merely displaces temporarily demand from our young, rapidly growing population. Production falls off and temporary price corrections occur. Private demand then shows a resurgence, with the old pattern of demand-pull repeated.

The Impact of Inflation on Ownership and Tenancy

The most comprehensive information available on price changes encountered by consumers is the Consumer Price Index published by Statistics Canada. It is comprehensive in that it describes all of the items which are contained in the budget of the typical middle income family. In particular, it describes the costs of maintaining existing housing as well as the costs of acquiring new houses. Moreover, it incorporates prices drawn from large

[19] *Ibid.*, Table 103.

samples of data. In the case of rents for dwellings, the price data come from monthly samples of 10,000 households.

Yet, there are major questions concerning what the CPI is measuring, especially in connection with homeownership costs. For this reason the previous discussion concentrated on CMHC data describing production costs for new dwellings.

The housing component of the Consumer Price Index is currently running at higher levels than any other major component except for "health and personal care". Housing is the largest component, having a weight of 32.2 per cent in the CPI. The breakdown of the housing component by sub-groups, with the associated weights and levels of the index as of November 1971, is shown in Chart 13.

"Housing", with a level of 139.6 in November 1971, is high in relation to the CPI as a whole. The leading sub-group within the housing component is "shelter". As can be seen from Chart 13, shelter has a weight of 17.9 in the CPI, and stood at 153.2 in November 1971.

Shelter is divided into two sections: "tenant costs" and "homeownership costs". Tenant costs, with a weight of 8.8, ran at the level of 123.3 in November 1971. Homeownership costs, with a weight of 9.1, ran at the level of 180.3. Homeownership costs therefore require particular attention.

Homeownership can be broken into five items: property taxes, mortgage interest, repairs, new houses, and personal property insurance. The item "new houses" is an adjustment factor which approximates the replacement cost of annual depreciation. As can be seen from Chart 13, the levels of all of these five items are high. The item "personal property insurance," at 229.1, is the highest of all. "Mortgage interest" at 204.9 is second highest. "New houses" at 181.2 is third. "Repairs" at 163.0 is fourth. "Property taxes" at 160.1 is fifth.

The trend over the past decade in shelter, tenant and homeownership costs, as well as the sub-items of homeownership, are plotted in Chart 14. Taken at face value, these figures are alarming, especially for the past year.

However, some qualifications are in order. Four of the five items under homeownership — personal property insurance, mortgage interest, repairs, and new houses — are not in fact directly observed by Statistics Canada. Rather, the price changes for them are derived from the composite series of wage rates and material costs that was cited above in Table 5. The homeownership price figures are constructed by Statistics Canada by means of adjustments to this basic series. The composite index of wage rates and construction materials itself gives rise to questions concerning validity. In any case, it has shown strong increases during the past few years. It is, to a large extent, just these movements in wages and material prices that are appearing in the homeownership component of the CPI.[20]

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[20] K. Kemp, "Developments in Price Statistics for New Residential Construction," *Canadian Statistical Review* (July 1970), p. 4. Also, K. Kemp, *Price Indexes for Residential Construction* (CMHC, unpub. manuscript, April 1971).

Consequently, on turning to the CPI for information on changes in the costs of maintaining existing housing, what we discover substantially is changes in the costs of inputs for new construction. We remain virtually in ignorance as to how homeownership costs for existing dwellings have actually changed, although we have noted the strong correlation between the prices of new and existing units.

The second sub-group of shelter in the CPI, is tenant costs. There can be little doubt that the tenant sub-group is a valid statement of what it purports to measure. However, some care is needed in understanding what that is.

Rents are reported to Statistics Canada each month by about 10,000 households from among those that appear in the Labour Force Sample Survey. Any given household remains in the Labour Force Survey for six consecutive months. The rental component of the CPI is constructed from *changes* in rents that occur from month to month for households in which the physical facilities remain strictly unchanged. It is only *increments* in rents that are considered, and these are linked together month by month to establish the index.

The CPI does not measure changes in the absolute value of average cash rents. The average value of rents, say in a given city, changes through time, first, because of pure price changes, and secondly, because of qualitative changes in the physical amenities of the accommodation. It is only the first of these aspects that the CPI attempts to describe.

Yet, over a period of years, there are substantial changes in the rental stock. There are changes in the frequency of inclusion of stoves, refrigerators, janitorial services, laundromats, doormen, swimming pools, garages, storage space. There are changes in payment practices for fuel, light, water, telephone and taxes. There are shifts in types of accommodation — in Vancouver, for instance, 58 per cent of tenants lived in apartments at the time of the 1961 census, but 72 per cent lived in apartments by 1966.[21] There are changes in transportation facilities with the addition of subways and expressways, so that even the location factor shifts in significance. Because of the many qualitative dimensions which themselves exhibit change, average cash rent figures over time become quite ambiguous in their meaning.

The difference between measures of pure price increments and measures of changes in average rents is large. Figures on cash rents have been published from time to time by Statistics Canada and other agencies. However, because of the doubtful meaning of the figures, their publication is discontinued.

The difference in behaviour between the average cash rent figures and the CPI rental index for Canada and three cities is shown in Chart 15. Both sets of information come from the same source — the Labour Force Sample Survey. The CPI shows the month by month linkage of pure price changes. The cash rent figures are averages over all households in April of the year shown. The published figures on cash rents are available only to 1965 for the

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[21] *1966 Census of Canada, Households and Families* (Ottawa: Statistics Canada, 1969), Cat. 93-607, pp. 43-2.

three cities, and to 1968 for Canada as a whole.[22] Compared to the Consumer Price Index, the cash rent figures show a much larger increase. For Canada in 1968, the CPI rental index stood at 111.8 and the average cash rent index stood at 132.7. The difference is due to qualitative changes in the rental stock over the period since 1961.

Which set of information on rents is the more relevant to an understanding of inflation in the housing sector? In spite of their ambiguity in meaning, it is something close to the average cash rent figures, incorporating both pure price and qualitative changes, that motivates consumer behaviour.

The Consumer Price Index provides valuable information on price changes. The homeownership component, however, seems to be somewhat overstated, being biased upwards by the wage rate and material cost figures. The rental component, on the other hand, is understated in relation to the price (and quality) changes encountered by consumers. In any case, the message comes through clearly: the price increases for housing faced by consumers during the past half decade have been inordinately large.

Shifts in homeownership costs relative to rental costs can be expected to bring about shifts in tenure patterns. The best indicator of changes in homeownership costs is the CMHC information on average monthly gross debt service (payments on principal, plus interest, plus taxes) for new single-detached NHA houses. The best indicator of change in rents is the previously discussed information on average cash rents. These two indicators for Canada as a whole are plotted in Chart 16 where the CPI rental index for the more recent years is also included.

It is apparent from Chart 16 that until 1967 changes in the cost of renting closely matched changes in the costs of owning a new home. In recent years, renting has become much more attractive.

Changes of this magnitude could be expected to affect different groups of people in different ways. In particular, one would anticipate repercussions on the low income population. To establish a basic frame of reference, data from the 1961 and 1966 census and the 1967 Household Facilities Survey of Statistics Canada are reviewed.

The change from 1961 to 1966 in the proportion of all households who are renters, for Canada and the four largest cities, is shown in Chart 17. The proportion of renters has always been relatively high in Montreal, but it remained unchanged from 1961 to 1966. For the other cities and for Canada as a whole, the proportion increased by a few percentage points during the early 1960's.

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[22] For average cash rent figures by city, see CMHC, *Canadian Housing Statistics 1966,* Table 101. For cash rent figures in dollar terms for Canada as a whole, see Task Force on Housing and Urban Development (Paul Hellyer, Chairman), *Report* (Ottawa: Information Canada, 1969), p. 18. For cash rent figures in index terms for Canada as a whole, see L. Smith, "A Bi-sectoral Housing Market Model," *Canadian Journal of Economics* (Vol. 2, No. 4, Nov. 1969), p. 559. For the CPI, see Statistics Canada, Cat. 62-002, *Prices and Price Indexes* (Ottawa: Statistics Canada; monthly). Note that the CPI shelter indexes for individual cities include only the rental component.

Larger shifts took place in the type of accommodation. The change from 1961 to 1966 in the proportion of all renters who live in apartments, for Canada and the cities, is shown in Chart 18. The change is about 7 per cent for Canada as a whole, and larger for Toronto and Vancouver. In this context, an apartment is defined as any dwelling situated above or below another dwelling. Consequently, it includes low rise as well as high rise buildings.

Rather profound differences in tenure are seen among the age groupings. The changes from 1961 to 1966 in the proportion of all households who are renters, classified by age of household head, are shown in Chart 19. Households with heads under 25 years tend to be predominately renters, and became more so during the early 1960's. The other large shift was among the elderly.

The pattern of tenure among income groups is shown in Chart 20. These data pertain to 1961 and to non-farm households. Renters are more frequent among households in the second and third quintiles, although the range of difference among the first four quintiles is only about 10 per cent. A comparison of the 1961 census data with the 1967 Household Facilities Survey data shows a drop in ownership in the first quintile, from 65.6 per cent in 1961 to 61.9 per cent in 1967. The other four quintiles remained virtually unchanged.

The distribution of values of dwellings for the various quintile groups is shown in Chart 21. These data indicate something about the quality of the dwellings owned by the different quintiles. The data are for non-farm households in 1961. The median values of the distribution range from $6,000 for dwellings owned by the first quintile, to $16,000 for those owned by the top quintile. These data cast some light on the phenomenon of "filtering".

When the results of the 1971 census become available, comparisons can be made of the distributions of values of dwellings for the quintile groups and of changes over the past decade among them. Information is available on the distribution of new NHA dwellings by quintile groups over the past decade. As noted above, in connection with Chart 3, the distribution of values of existing dwellings bears a close relationship to the distribution of values of newly constructed dwellings.

For Canada as a whole, Chart 22 shows that the top three quintiles received all but 1.5 per cent of new NHA single-detached dwellings in 1961, and all but 0.7 per cent in 1963.[23] In other words, virtually all new houses were, and continue to be, received by the richest 60 per cent of families and individuals. The split among the top three quintiles appears to have shifted somewhat in favour of the fourth quintile since 1961. Thus, 20 per cent of the population now receives 53 per cent of the new houses. On this evidence, we can conclude that homeowners in the bottom two quintiles are neither worse nor better off than they were in 1961.

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[23] Quintile limits are defined for the distribution of incomes for all families and unattached individuals, taken together, for Canada as a whole. The limits for 1961 are available in Statistics Canada, Cat. 13-529, *Income Distributions* (Ottawa: Statistics Canada, 1969), p. 78. The limits for 1969 were calculated from Statistics Canada, Cat. 13-542, *Income Distributions 1969, Preliminary Estimates* (Ottawa: Statistics Canada, 1971), p. 11.

Chart 22 also shows the distribution of new houses by quintile groups for the three largest cities, as of 1969. The income limits for quintiles are those defined for Canada as a whole, since income data are not available for specific cities. In these three cities, all new houses are received by the top three quintiles, and in the cases of Vancouver and Toronto, almost all go to the top two quintiles.

In summary, the evidence on changes in tenure patterns shows some shift from ownership to rental during the first half of the decade, especially in Vancouver and Toronto, and for the young and the old. It shows a shift from house rental to apartment rental. It shows a shift to more rental in the first quintile. It shows a shift in favour of the fourth quintile among owners who receive new NHA houses.

The data considered on tenure patterns, however, suffer from two drawbacks. Either they pre-date the large price increases that occurred during the late 1960's, or else they refer only to new dwellings. A more penetrating look at the consequences of inflation is possible with the Family Expenditure data to which we now turn.

Housing Expenditure Patterns

Information concerning what consumers actually spend for each item in their budgets has been collected by Statistics Canada on several occasions. The most recent Family Expenditure Surveys refer to the years 1964, 1967 and 1969.[24] Only large cities were included in 1964, but all sizes of communities were covered in 1969.

Changes over time in the proportion of the family's income that was spent on shelter, for various income groups are shown in Chart 23. "Shelter" in this context means the rental or ownership expenses for the bare physical shell of a dwelling, plus expenses for utilities. It does not include such related expenses as the costs of furnishings or the costs of household operation.

The comparison in Chart 23 is for families and single individuals in cities with populations larger than 100,000 people. The quintile limits are established by considering the number of family units ranked by income, and then partitioning these units into five groups. The income figures which define the quintiles are shown in Chart 23. These figures, of course, change from year to year as incomes rise. Since the data available to us were already grouped into income intervals of $500, it was not possible to define perfect fifths of the population. The actual percentage of family units contained in each group was as follows:

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[24] *Urban Family Expenditure, 1964* (Ottawa: Statistics Canada, 1968), Cat. 62-527. *Urban Family Expenditure, 1967* (Ottawa: Statistics Canada, 1971), Cat. 62-530. Statistics Canada, unpublished Tables from Family Expenditure Survey, 1969.

	Percentage of Family Units		
	1964	*1967*	*1969*
First Quintile	21.0	18.3	18.7
Second Quintile	18.0	17.9	21.0
Third Quintile	25.4	22.0	17.8
Fourth Quintile	23.0	15.2	19.6
Fifth Quintile	12.5	26.6	22.9

The conclusion to be drawn from Chart 23 is that there are large differences among the income groups in the proportion of income spent on shelter. The top quintile currently spends 12 per cent on shelter. The bottom quintile spends 34 per cent. Moreover, while the proportions have remained virtually unchanged over the years 1964 to 1969 for the four top quintiles, the situation has steadily worsened for the lowest quintile, going from 29 per cent in 1964 to 34 per cent in 1969. The costs of shelter have become progressively more burdensome for the poor.

Just how burdensome are current expenditures for shelter, food, and the other items in the budget, can be seen from Chart 24. In order to sustain itself, a family can draw upon its accumulated wealth, as well as upon its annual flow of income, the family can draw upon its assets — bank account, stocks and bonds, money owed the family, value of its business. Or it can incur liabilities — borrow money in the form of instalment credit, bank loans, private loans or mortgages. (The Statistics Canada expenditure data include no allowance for depreciation on assets.)

The net change in liabilities and assets as a proportion of income for the various quintile groups during the years 1964, 1967 and 1969 is shown in Chart 24. The conclusion that emerges is that over these years, all quintile groups have found progressively greater difficulty in saving. However the situation is worsening substantially for the low income groups. Families in the first quintile during 1964 incurred net liabilities amounting to 5 per cent of their incomes. During 1969, they incurred net liabilities amounting to 12 per cent of their incomes. Increasing shelter expenditures have been among the chief sources of pressure on the budgets of the poor.

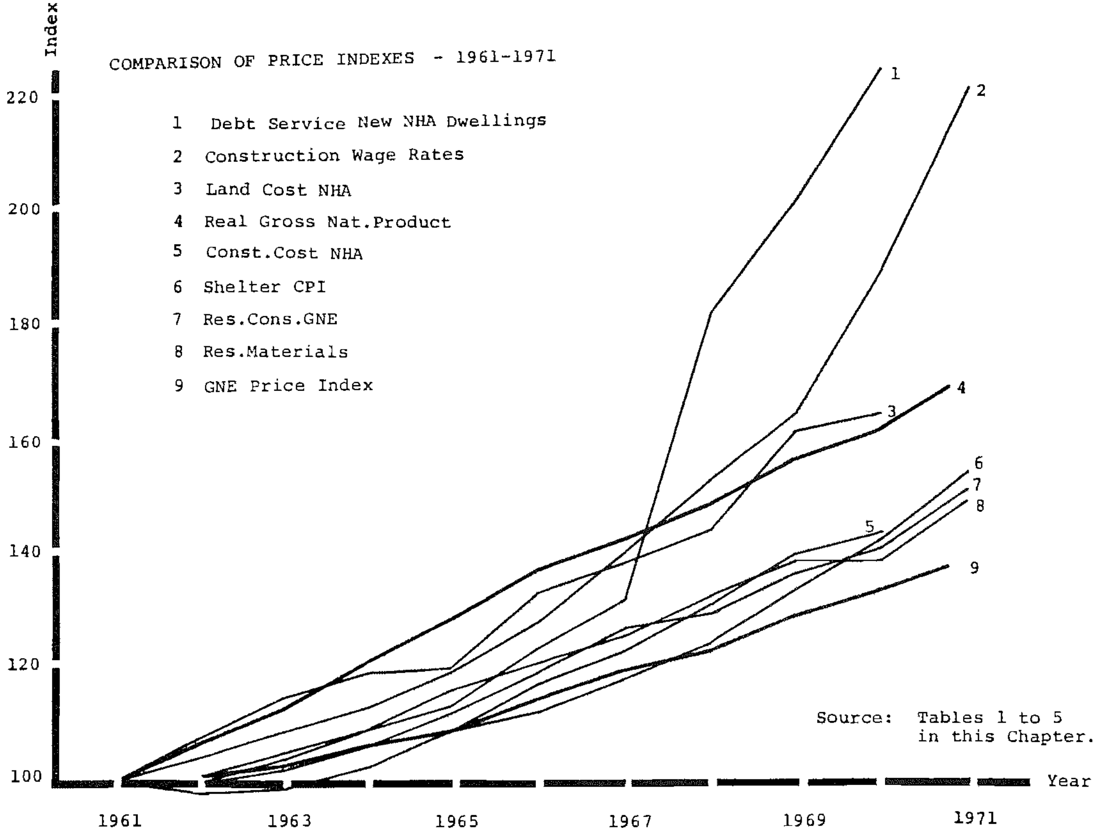
Summary

Inflation in the housing sector and in the construction industry has been more serious than in any other part of the economy, except the government sector. It is led by high prices for newly constructed housing, which set the price pattern for all housing. New unit prices have been rising under pressure from increasing component costs. Land costs have increased by 65 per cent, labour costs by 89 per cent over the last decade. Rising construction costs have been offset by reduced unit sizes and smaller square footage. Increased land costs are perhaps the most critical, as builders appear to treat building cost as a mark-up on land costs.

Cost increases appear to have been initiated during the mid 60's by demand-pull and continued as a result of cost-push. Government stimulation of social housing activity in 1970 had the effect of preventing serious shortages of rental housing, but also short-circuited any price corrections which would have resulted from the constriction of the money supply.

Increased costs are pushing homeownership out of reach of new households. Average cash rents increased less than ownership costs, although they too continued to rise, at a rate of 5.2 per cent per year. That slower growth rate has resulted in most new urban housing produced being in rental form. Noticeable shifts have taken place in the proportion of young people and of the elderly who are homeowners.

The brunt of increased housing costs has been borne by the low income group. Fewer of them can afford new housing. They are paying higher proportions of income for shelter than they did five years earlier. That increased expenditure cannot be met out of income and is leading to net dissaving by them.



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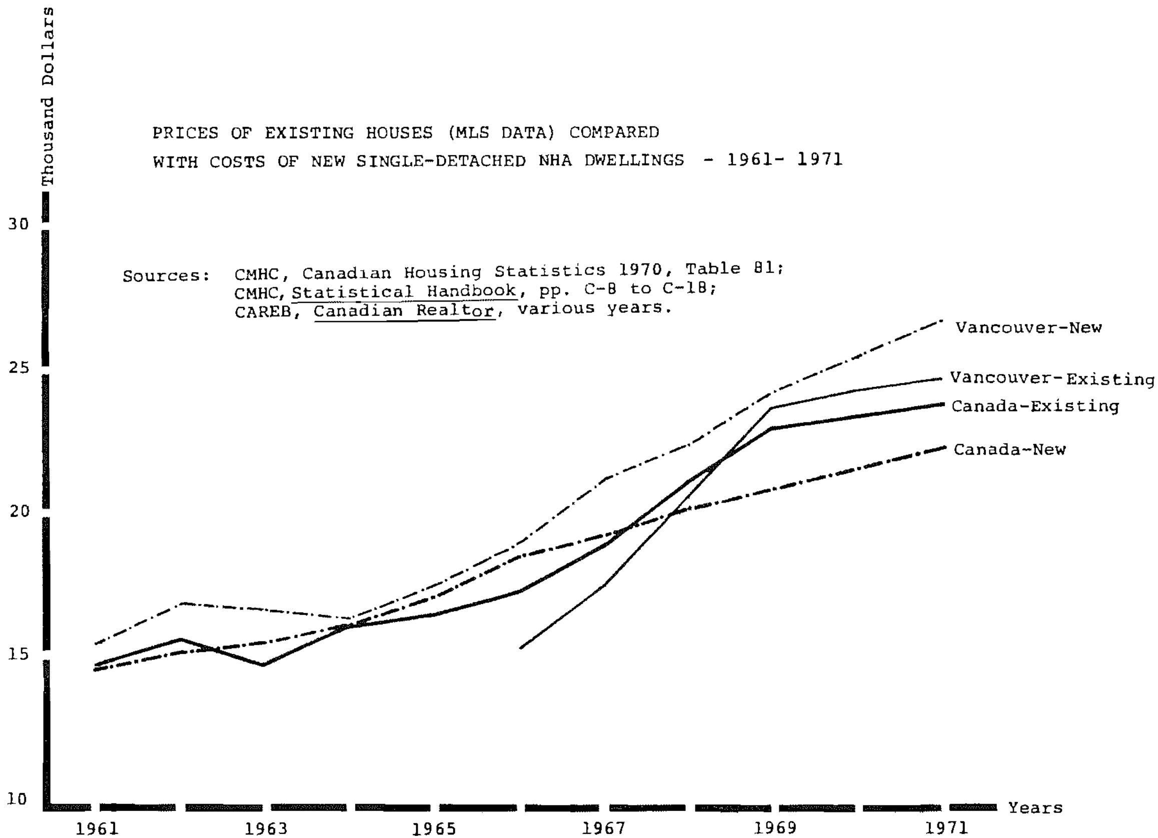
COMPARISON OF PRICE INDEXES - 1961-1971
1 Debt Service New NHA Dwellings
2 Construction Wage Rates
3 Land Cost NHA
4 Real Gross Nat.Product
5 Const.Cost NHA
6 Shelter CPI
7 Res.Cons.GNE
8 Res.Materials
9 GNE Price Index
220
200
180
160
140
120
100
1961
1963
1965
1967
1969
1971
Year
Source: Tables 1 to 5 in this Chapter.

CHART 1

CHART 2


PRICES OF EXISTING HOUSES (MLS DATA) COMPARED
WITH COSTS OF NEW SINGLE-DETACHED NHA DWELLINGS - 1961- 1971
Sources: CMHC, Canadian Housing Statistics 1970, Table 81;
CMHC, Statistical Handbook, pp. C-8 to C-18;
CAREB, Canadian Realtor, various years.
Thousand Dollars
30
25
20
15
10
Vancouver-New
Vancouver-Existing
Canada-Existing
Canada-New
1961
1963
1965
1967
1969
1971
Years

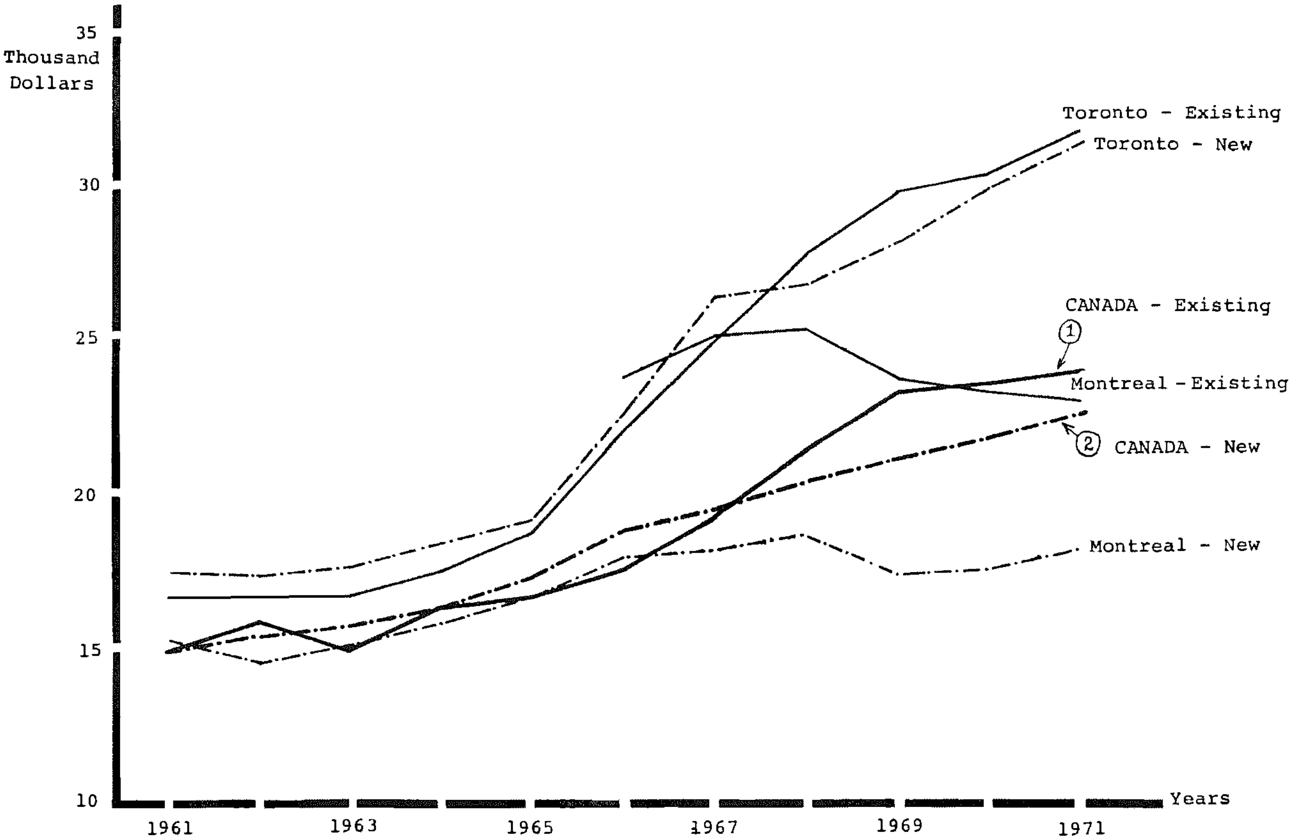


CHART 2 (continued)

CHART 3

COSTS OF NEW NHA HOUSES COMPARED WITH VALUES OF EXISTING HOUSES

SINGLE-DETACHED, CANADA - 1961

Sources: DBS 980505, Table E5.
CMHC, Canadian Housing Statistics 1970, Table 81.

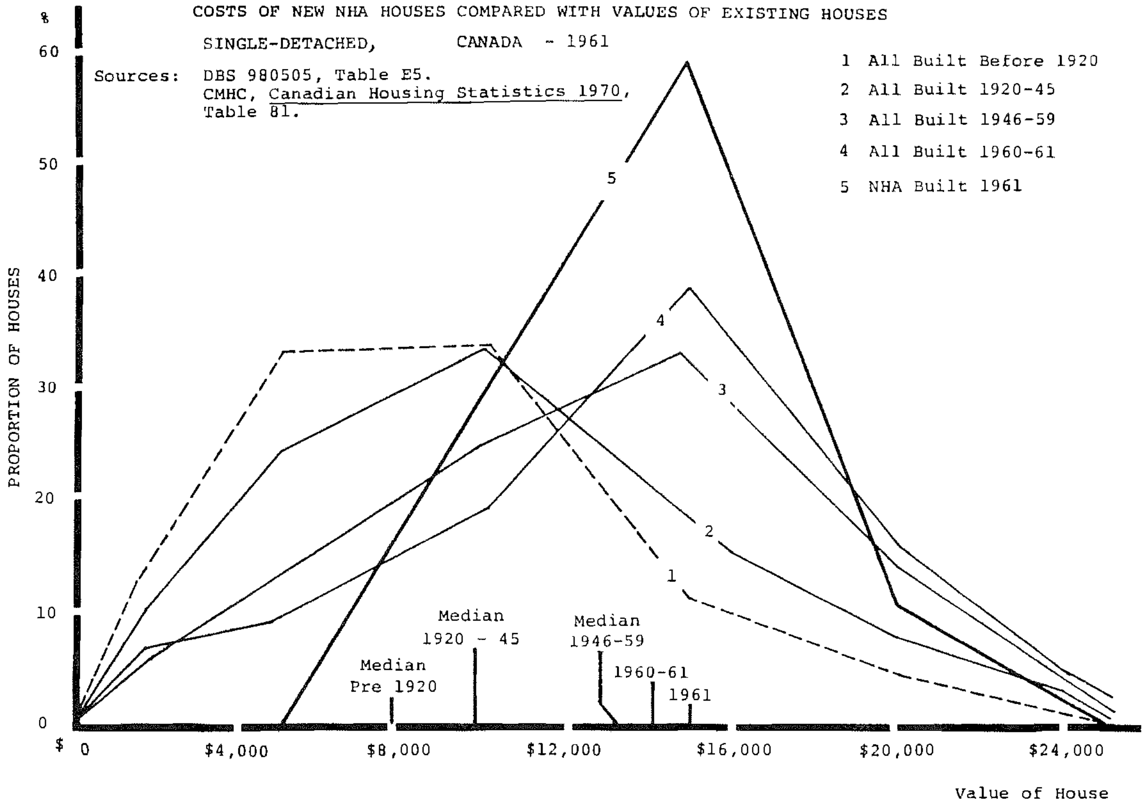


CHART 4

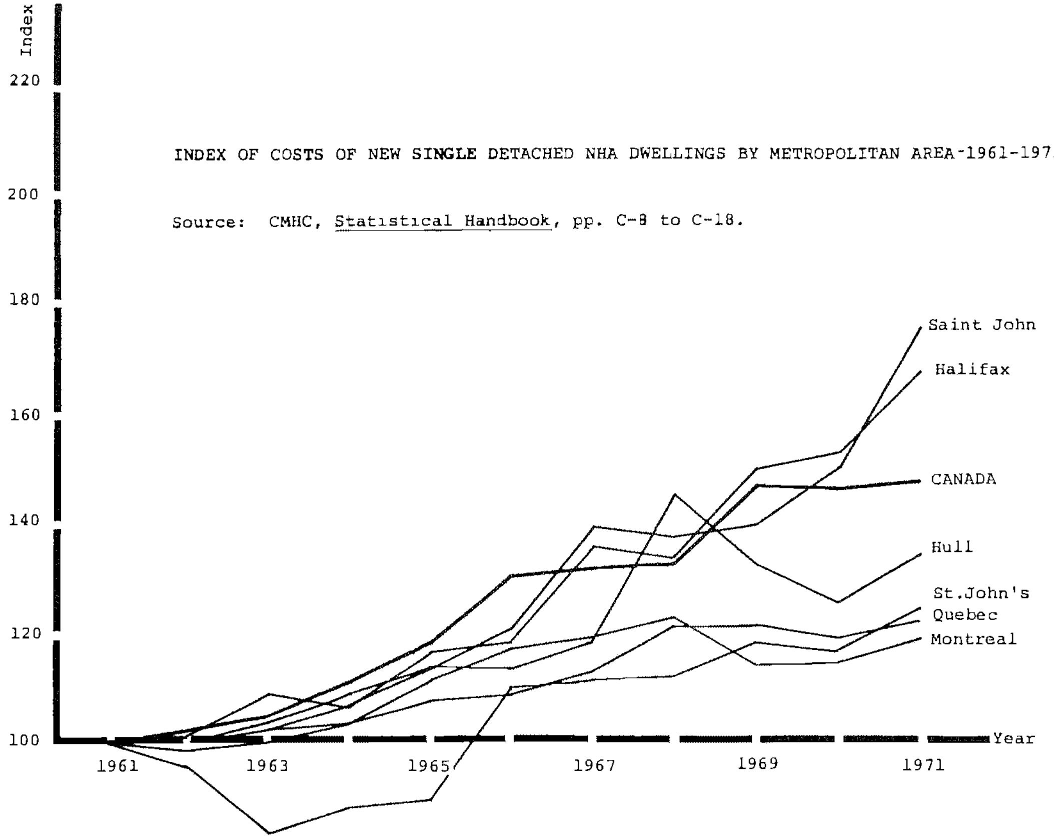

INDEX OF COSTS OF NEW SINGLE DETACHED NHA DWELLINGS BY METROPOLITAN AREA-1961-1971
Source: CMHC, Statistical Handbook, pp. C-8 to C-18.
Index
220
200
180
160
140
120
100
1961
1963
1965
1967
1969
1971
Year
Saint John
Halifax
CANADA
Hull
St.John's
Quebec
Montreal

CHART 4 (continued)

CHART 4 (continued)

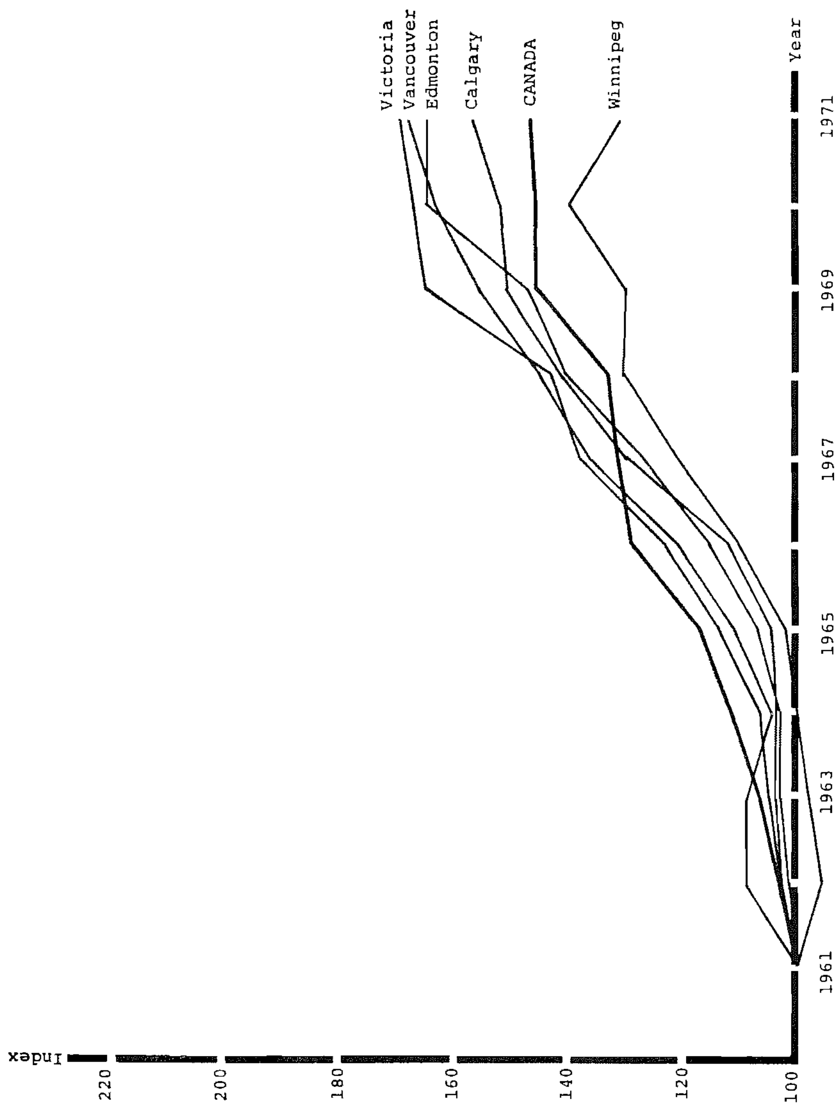


CHART 5

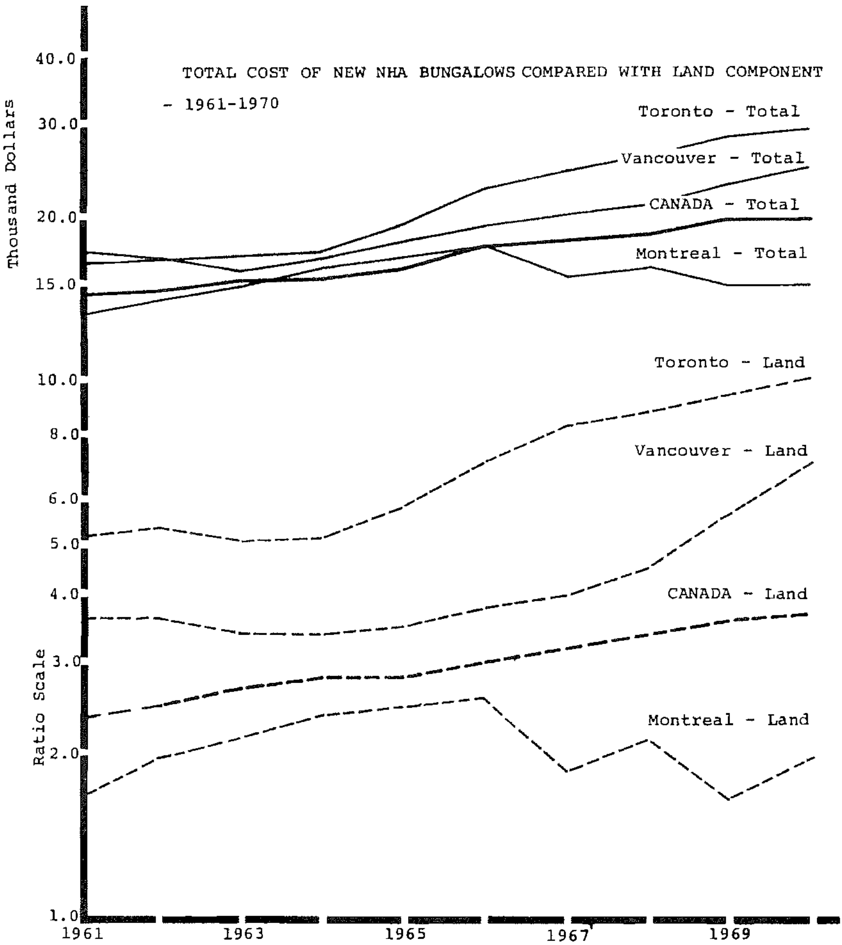

TOTAL COST OF NEW NHA BUNGALOWS COMPARED WITH LAND COMPONENT
- 1961-1970
Thousand Dollars
Ratio Scale
40.0
30.0
20.0
15.0
10.0
8.0
6.0
5.0
4.0
3.0
2.0
1.0
Toronto - Total
Vancouver - Total
CANADA - Total
Montreal - Total
Toronto - Land
Vancouver - Land
CANADA - Land
Montreal - Land
1961
1963
1965
1967
1969

CHART 5 (continued)

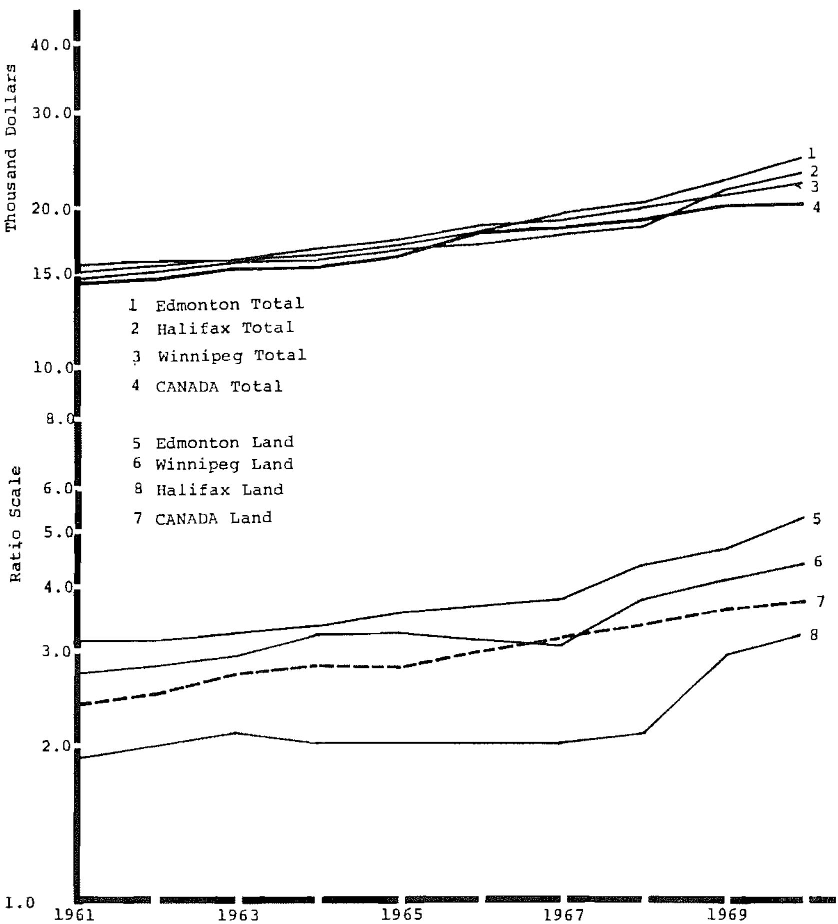


CHART 6

INDEXES OF LAND COSTS AND CONSTRUCTION COST PER SQ.FT. FOR NEW NHA BUNGALOWS - 1961-1971

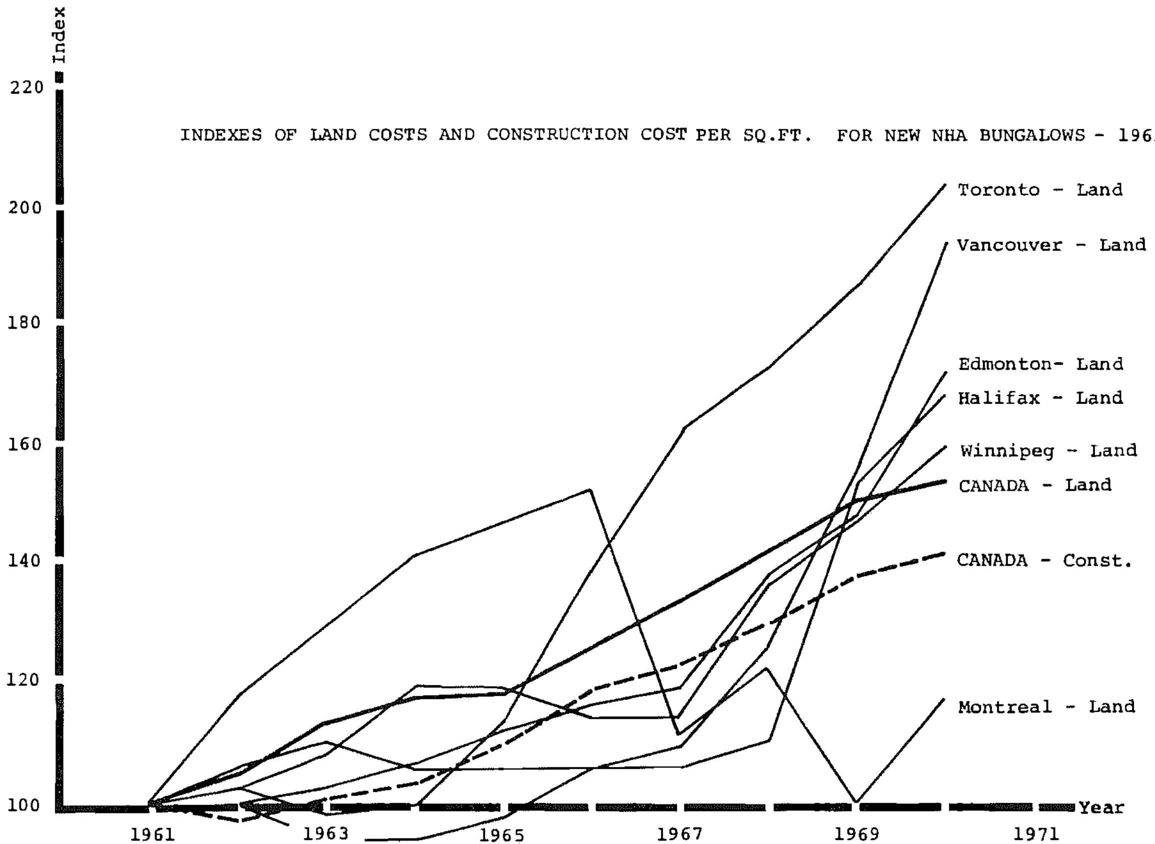
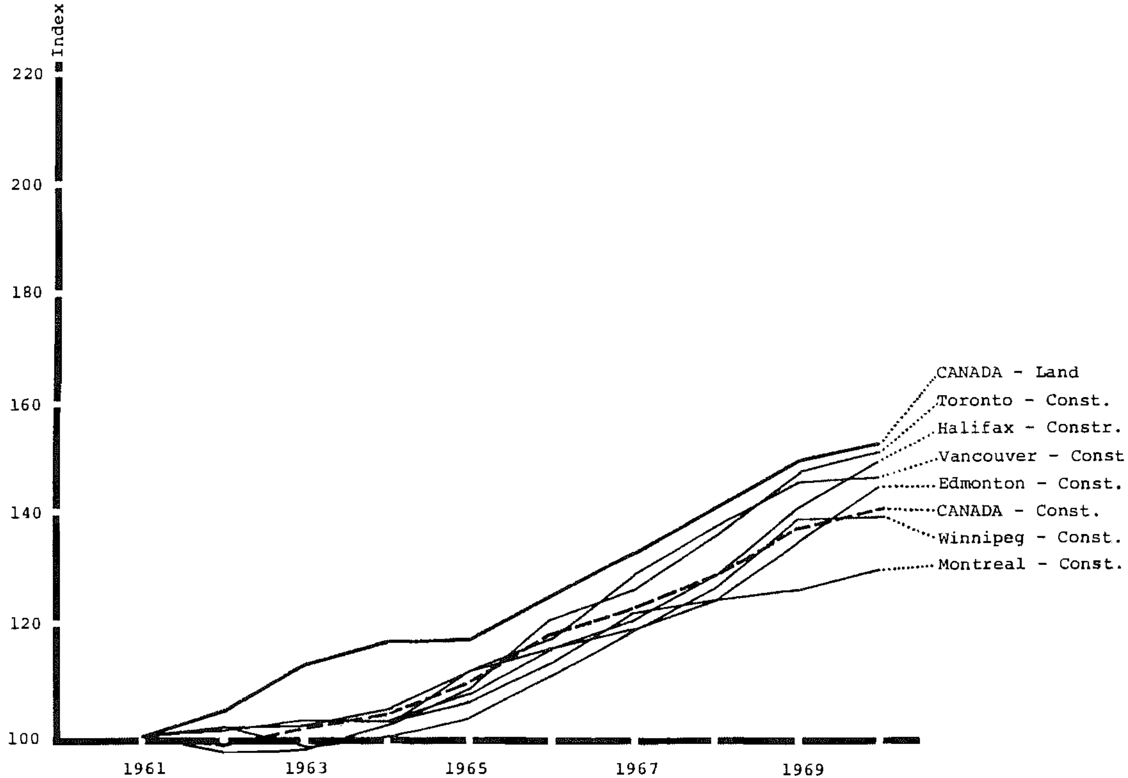
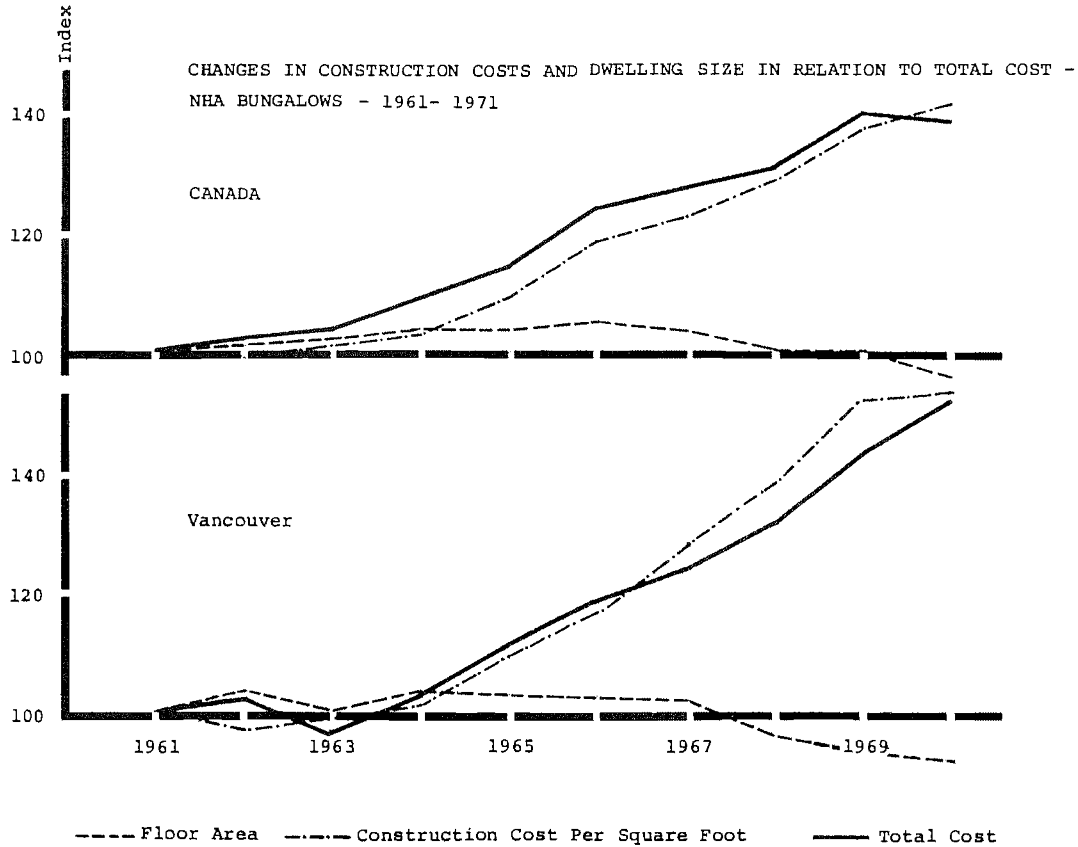


CHART 6 (continued)



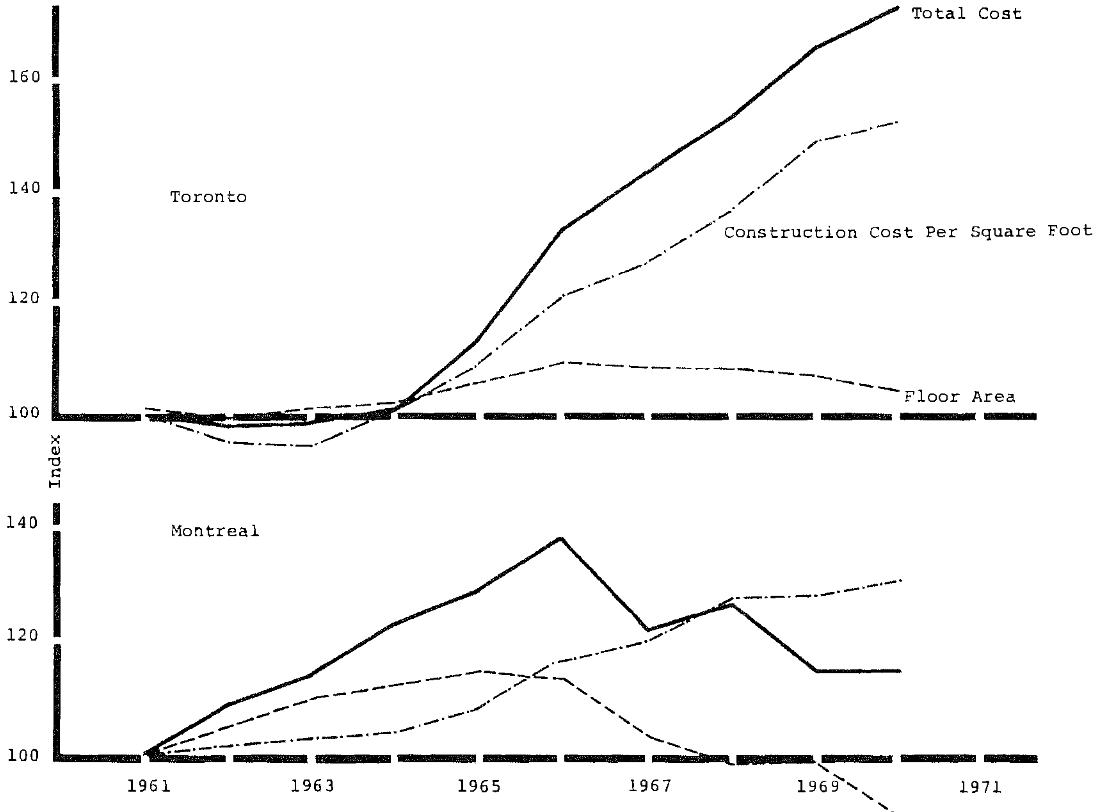
Source: CMHC, Statistical Handbook,pp.C-4(a) and C-5(a)

CHART 7



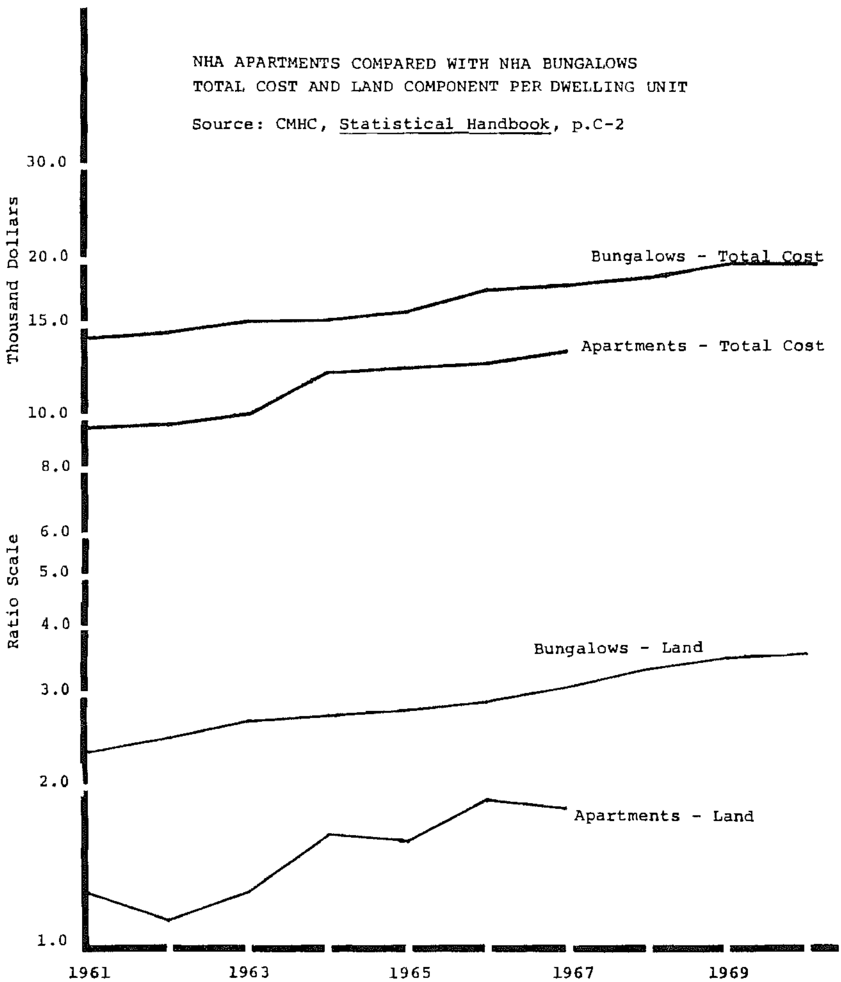
CHANGES IN CONSTRUCTION COSTS AND DWELLING SIZE IN RELATION TO TOTAL COST - NHA BUNGALOWS - 1961- 1971

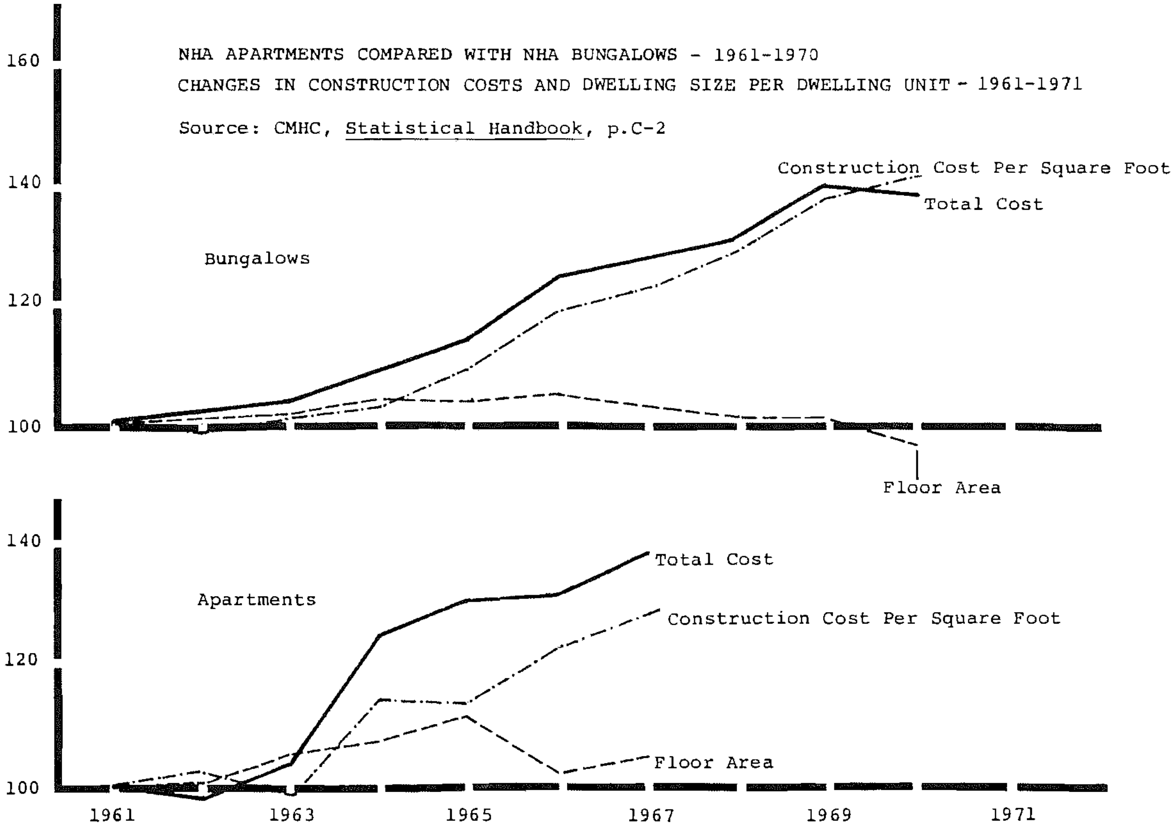
CHART 7 (continued)



Source: CMHC, Statistical Handbook, pp.C-4(a), C-5(a) and D-6

CHART 8


NHA APARTMENTS COMPARED WITH NHA BUNGALOWS
TOTAL COST AND LAND COMPONENT PER DWELLING UNIT
Source: CMHC, Statistical Handbook, p.C-2
Thousand Dollars
Ratio Scale
30.0
20.0
15.0
10.0
8.0
6.0
5.0
4.0
3.0
2.0
1.0
Bungalows - Total Cost
Apartments - Total Cost
Bungalows - Land
Apartments - Land
1961
1963
1965
1967
1969



NHA APARTMENTS COMPARED WITH NHA BUNGALOWS - 1961-1970
CHANGES IN CONSTRUCTION COSTS AND DWELLING SIZE PER DWELLING UNIT - 1961-1971
Source: CMHC, Statistical Handbook, p.C-2
160
140
120
100
Bungalows
Construction Cost Per Square Foot
Total Cost
Floor Area
140
120
100
Apartments
Total Cost
Construction Cost Per Square Foot
Floor Area
1961
1963
1965
1967
1969
1971

CHART 9

CHART 10a

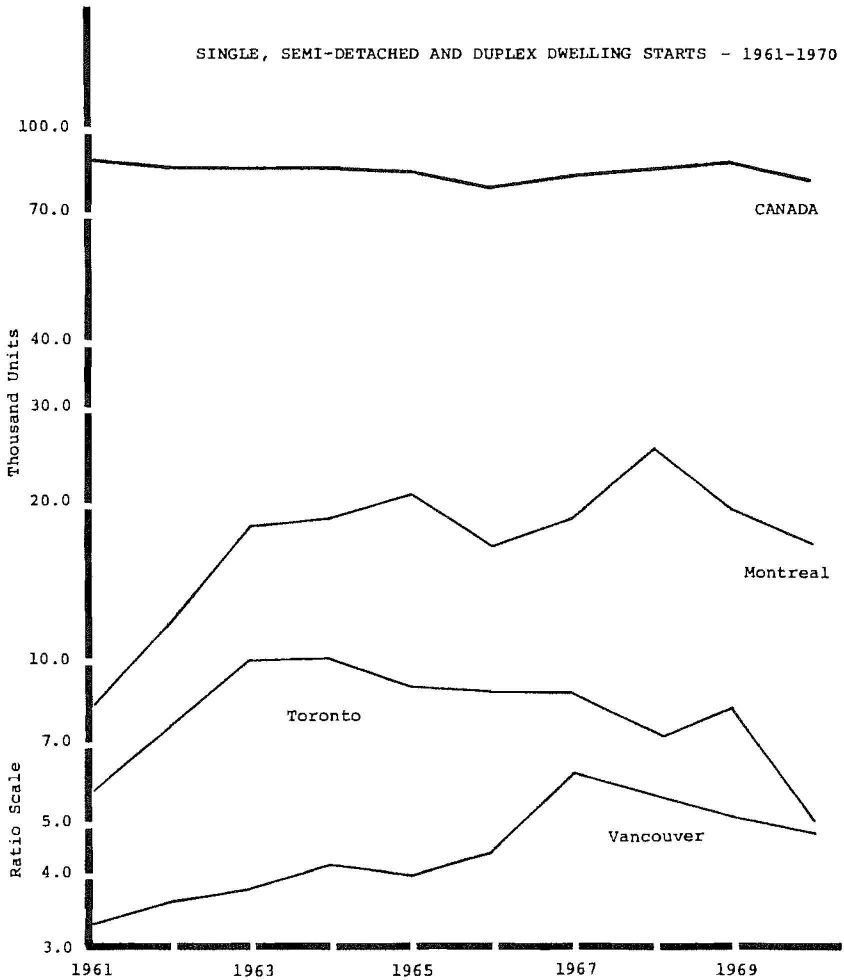
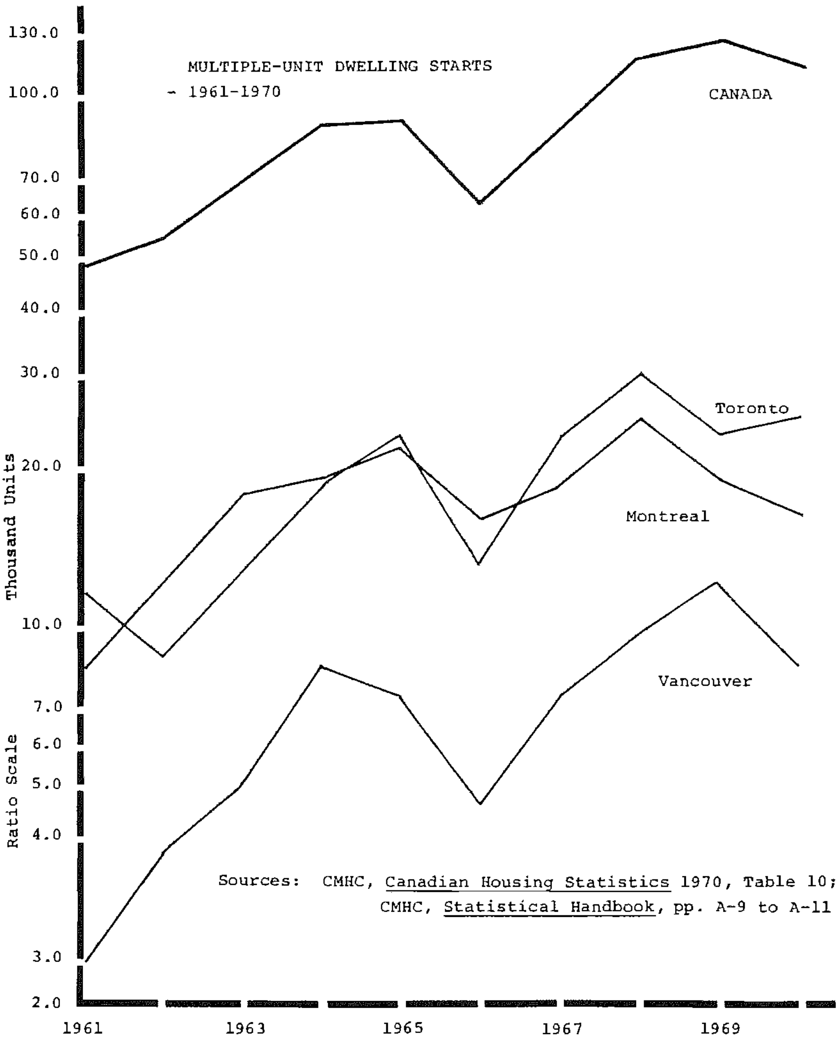

SINGLE, SEMI-DETACHED AND DUPLEX DWELLING STARTS - 1961-1970
100.0
70.0
40.0
30.0
20.0
10.0
7.0
5.0
4.0
3.0
Thousand Units
Ratio Scale
CANADA
Montreal
Toronto
Vancouver
1961
1963
1965
1967
1969

CHART 10b



Sources: CMHC, Canadian Housing Statistics 1970, Table 10; CMHC, Statistical Handbook, pp. A-9 to A-11

CHART 11

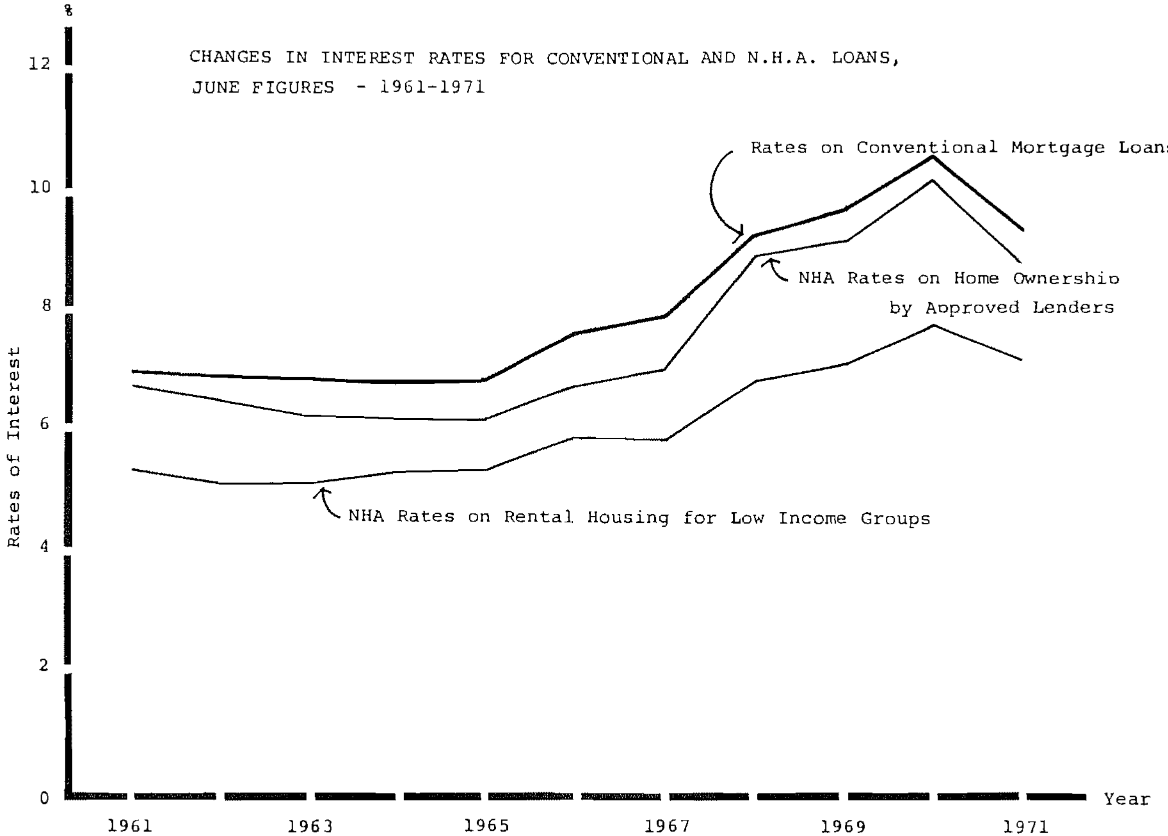
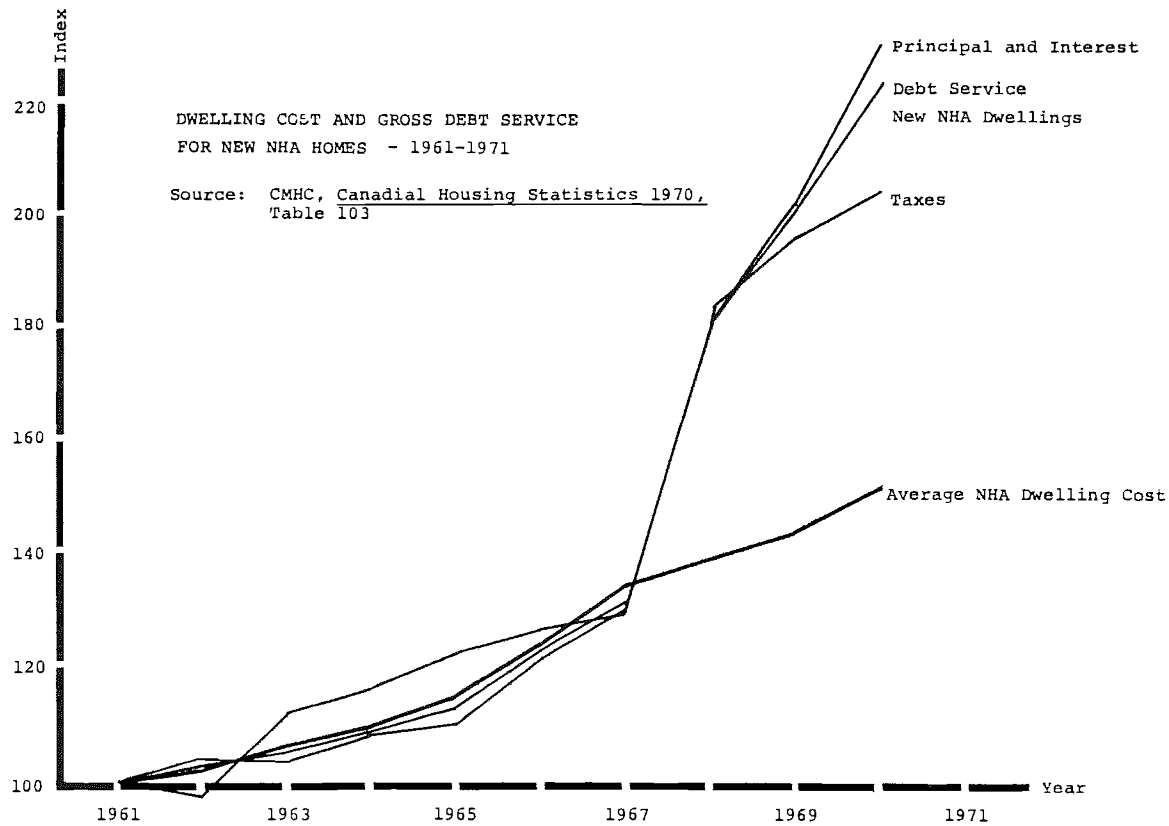

CHANGES IN INTEREST RATES FOR CONVENTIONAL AND N.H.A. LOANS,
JUNE FIGURES - 1961-1971
%
12
10
8
6
4
2
0
Rates of Interest
Rates on Conventional Mortgage Loans
NHA Rates on Home Ownership
by Approved Lenders
NHA Rates on Rental Housing for Low Income Groups
1961
1963
1965
1967
1969
1971
Year

CHART 12



DWELLING COST AND GROSS DEBT SERVICE
FOR NEW NHA HOMES - 1961-1971
Source: CMHC, Canadial Housing Statistics 1970, Table 103
Index
220
200
180
160
140
120
100
1961
1963
1965
1967
1969
1971
Year
Principal and Interest
Debt Service
New NHA Dwellings
Taxes
Average NHA Dwelling Cost

CHART 13

BREAKDOWN OF THE HOUSING COMPONENT OF

THE CONSUMMER PRICE INDEX - NOVEMBER 1971

- Consumer Price Index
  - Weight 100.00
  - Nov. level 135.4
  - Housing
    - Weight 32.2
    - Nov. level 139.6
    - Shelter
      - Weight 17.9
      - Level 153.2
      - Home Ownership
        - Weight 9.1
        - Level 180.3
        - Property Taxes
          - Weight 2.2
          - Level 160.1
        - Mortgage Interest
          - Weight 2.4
          - Level 204.9
        - Repairs
          - Weight 1.4
          - Level 163.0
        - New Houses
          - Weight 2.9
          - Level 181.2
        - Insurance
          - Weight 0.2
          - Level 229.1
      - Tenant Costs
        - Weight 8.8
        - Level 123.3
    - Household Operation
      - Weight 14.3
      - Level 121.2
    - Supplies and Services
      - Weight 3.6
      - Level 127.3

Source: Statistics Canada, Cat. 62-002, Prices and Price Indexes (Ottawa: Statistics Canada, 1971), Table 9.

CHART 14

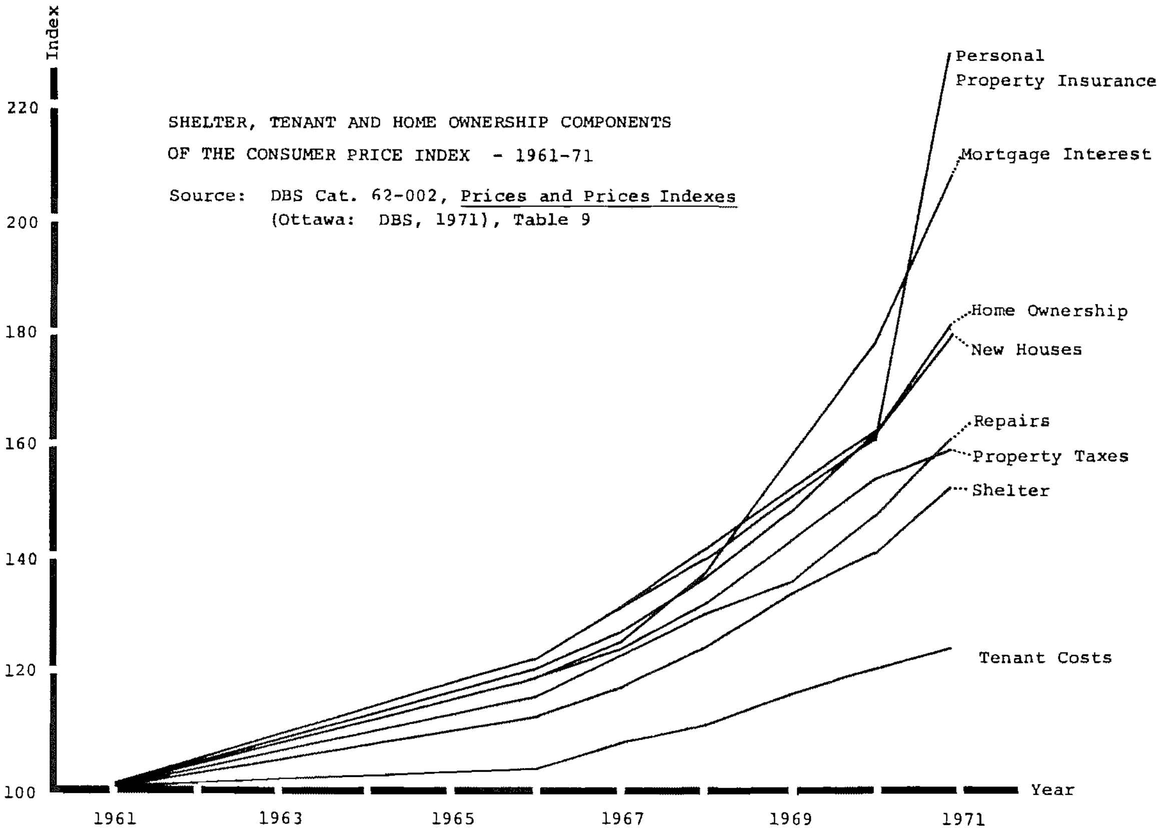
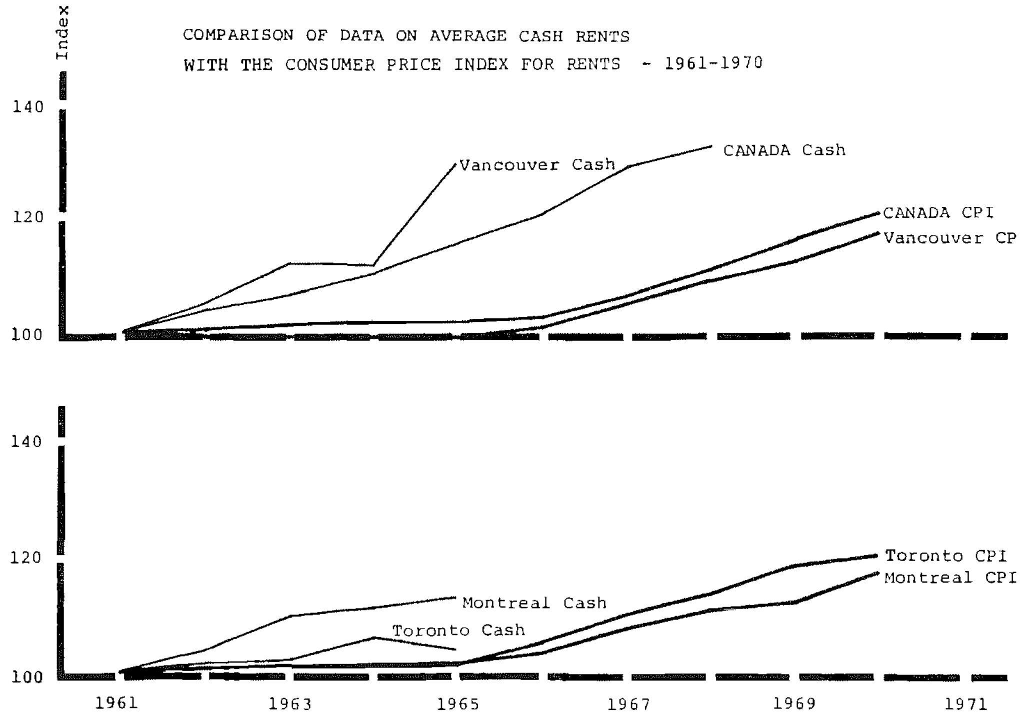

Index
220
200
180
160
140
120
100
SHELTER, TENANT AND HOME OWNERSHIP COMPONENTS
OF THE CONSUMER PRICE INDEX - 1961-71
Source: DBS Cat. 62-002, Prices and Prices Indexes
(Ottawa: DBS, 1971), Table 9
Personal
Property Insurance
Mortgage Interest
Home Ownership
New Houses
Repairs
Property Taxes
Shelter
Tenant Costs
Year
1961
1963
1965
1967
1969
1971

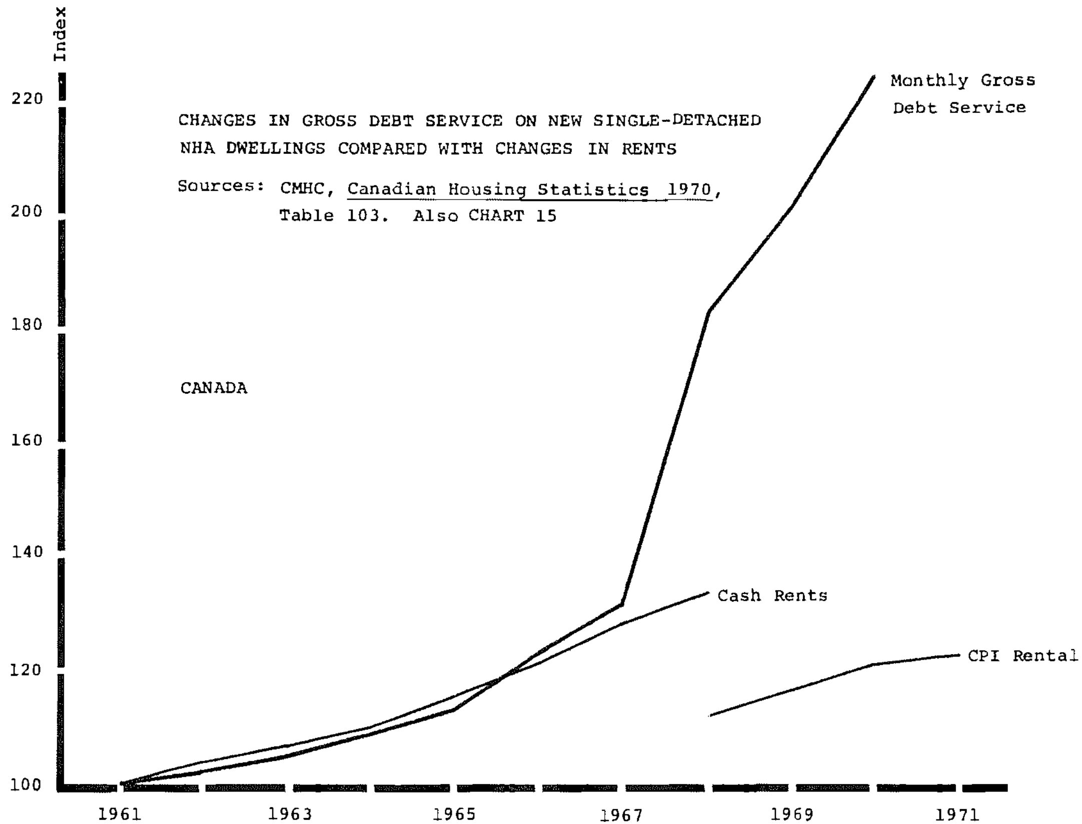
CHART 15

COMPARISON OF DATA ON AVERAGE CASH RENTS
WITH THE CONSUMER PRICE INDEX FOR RENTS - 1961-1970



Sources: City cash rents from CMHC, <u>Canadian Housing Statistics 1966,</u> Table 101;
Canada figures from L. Smith in <u>Canadian Journal of Economics</u> (November 1969), p. 559

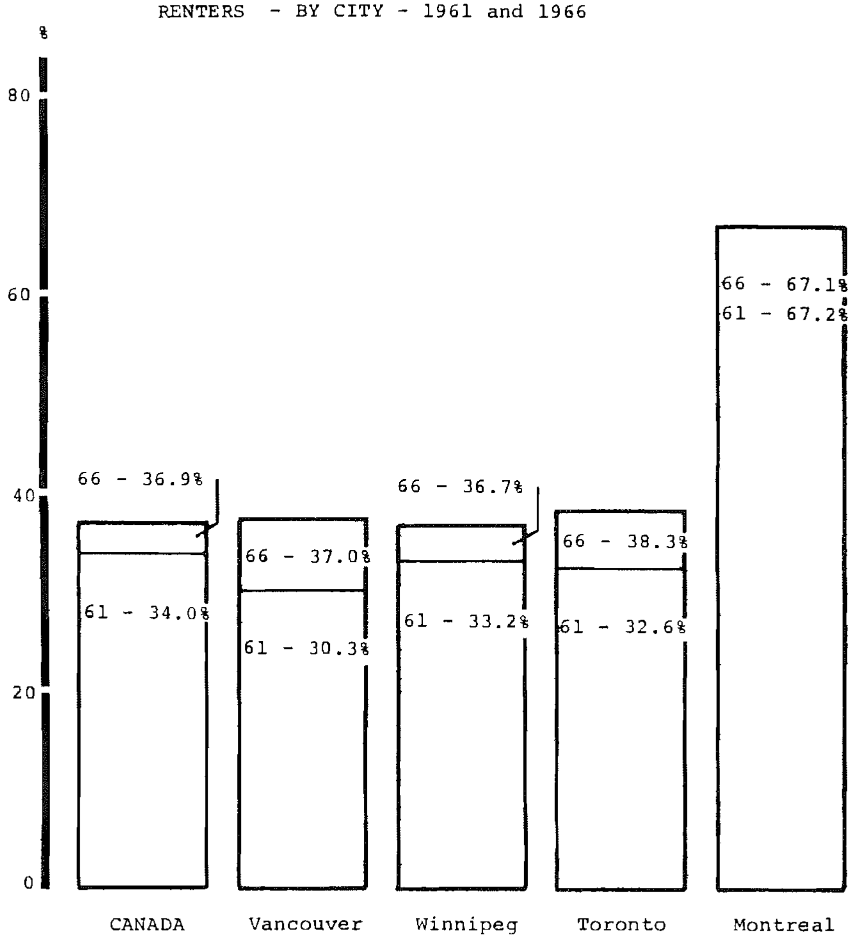
CHART 16



Index
220
200
180
160
140
120
100
CHANGES IN GROSS DEBT SERVICE ON NEW SINGLE-DETACHED
NHA DWELLINGS COMPARED WITH CHANGES IN RENTS
Sources: CMHC, Canadian Housing Statistics 1970,
Table 103. Also CHART 15
CANADA
Monthly Gross
Debt Service
Cash Rents
CPI Rental
1961
1963
1965
1967
1969
1971

CHART 17

PROPORTION OF ALL HOUSEHOLDS WHO ARE
RENTERS - BY CITY - 1961 and 1966



Source: Statistics Canada, Cat.93-607, Table 43

CHART 18

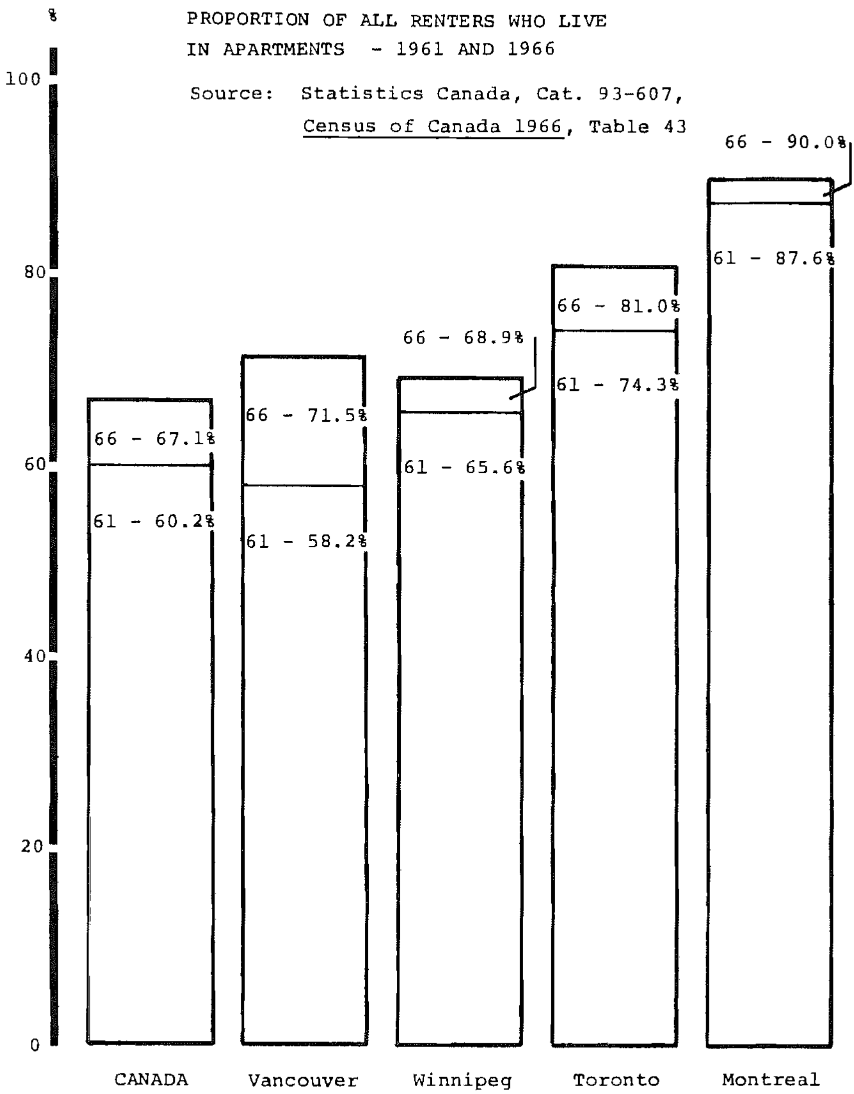
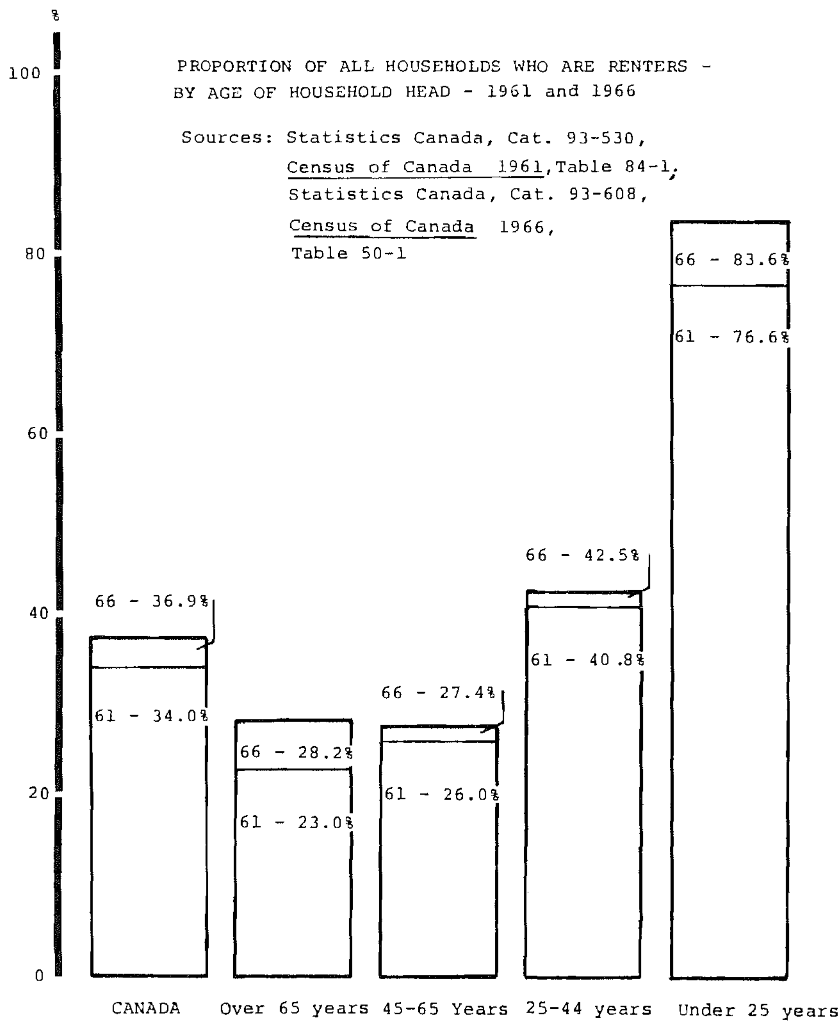

%
PROPORTION OF ALL RENTERS WHO LIVE
IN APARTMENTS - 1961 AND 1966
Source: Statistics Canada, Cat. 93-607,
Census of Canada 1966, Table 43
100
80
60
40
20
0
66 - 67.1%
61 - 60.2%
66 - 71.5%
61 - 58.2%
66 - 68.9%
61 - 65.6%
66 - 81.0%
61 - 74.3%
66 - 90.0%
61 - 87.6%
CANADA
Vancouver
Winnipeg
Toronto
Montreal

CHART 19



%
100
80
60
40
20
0
PROPORTION OF ALL HOUSEHOLDS WHO ARE RENTERS - BY AGE OF HOUSEHOLD HEAD - 1961 and 1966
Sources: Statistics Canada, Cat. 93-530, Census of Canada 1961, Table 84-1, Statistics Canada, Cat. 93-608, Census of Canada 1966, Table 50-1
66 - 36.9%
61 - 34.0%
66 - 28.2%
61 - 23.0%
66 - 27.4%
61 - 26.0%
66 - 42.5%
61 - 40.8%
66 - 83.6%
61 - 76.6%
CANADA
Over 65 years
45-65 Years
25-44 years
Under 25 years

CHART 20

OWNERSHIP COMPARED WITH RENTAL BY QUINTILES - 1961

Source: Statistics Canada, Cat. 98-505, Census of Canada 1961, Table E1-1 and E2-1

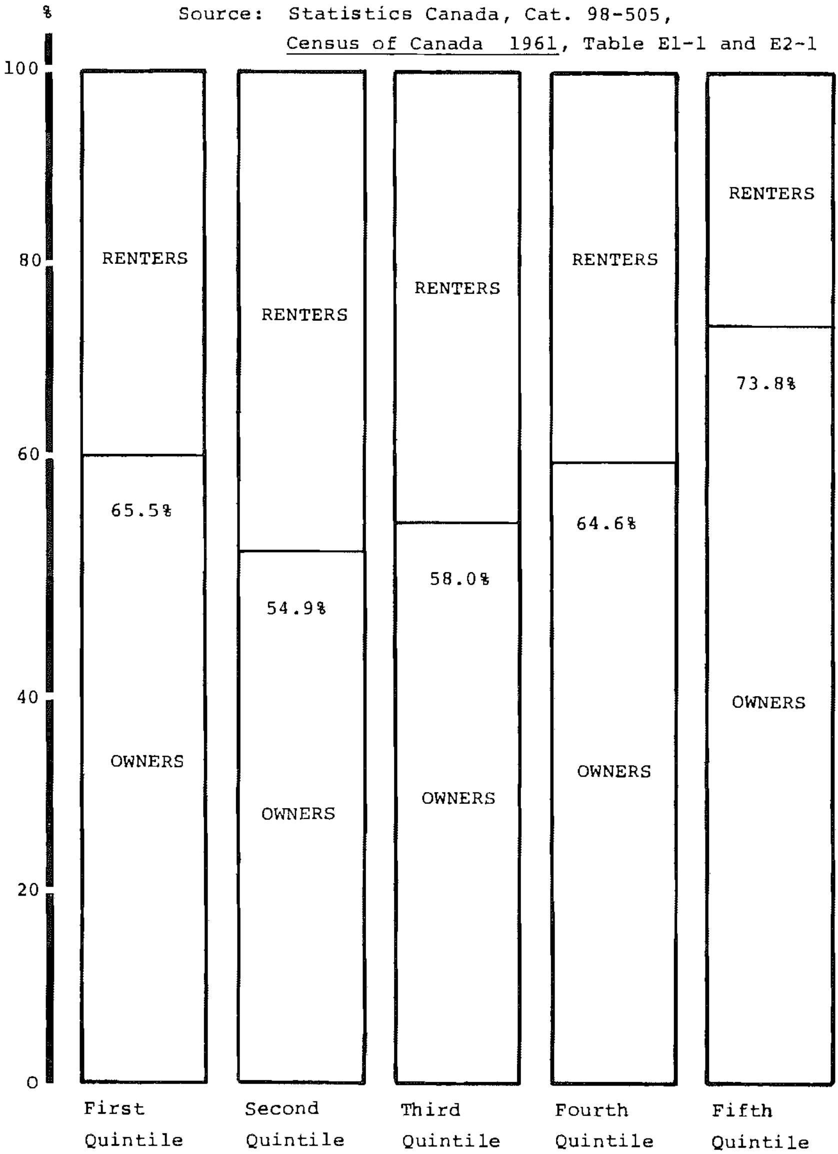
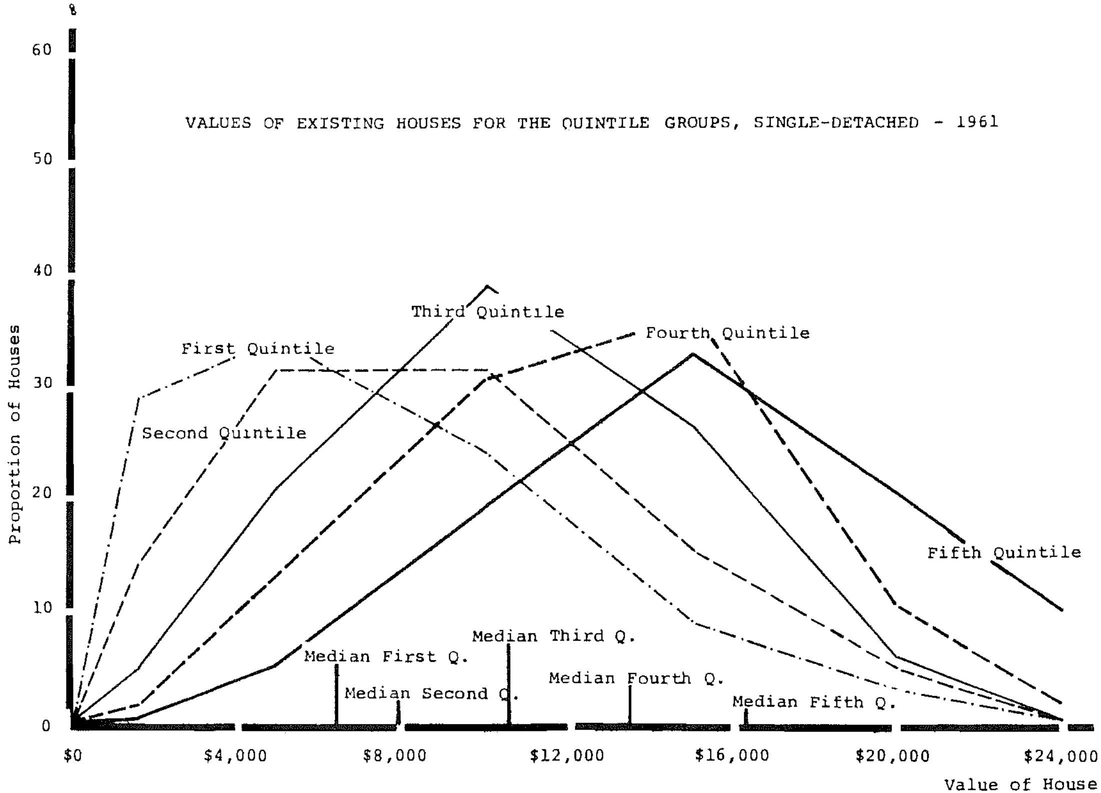


CHART 21



Source: Statistics Canada, Cat. 98-505, Census of Canada 1961, Tables E3 and E4

BY QUINTILES OF NEW NHA HOUSES - ALL FAMILIES AND UNATTACHED INDIVIDUALS - 1969

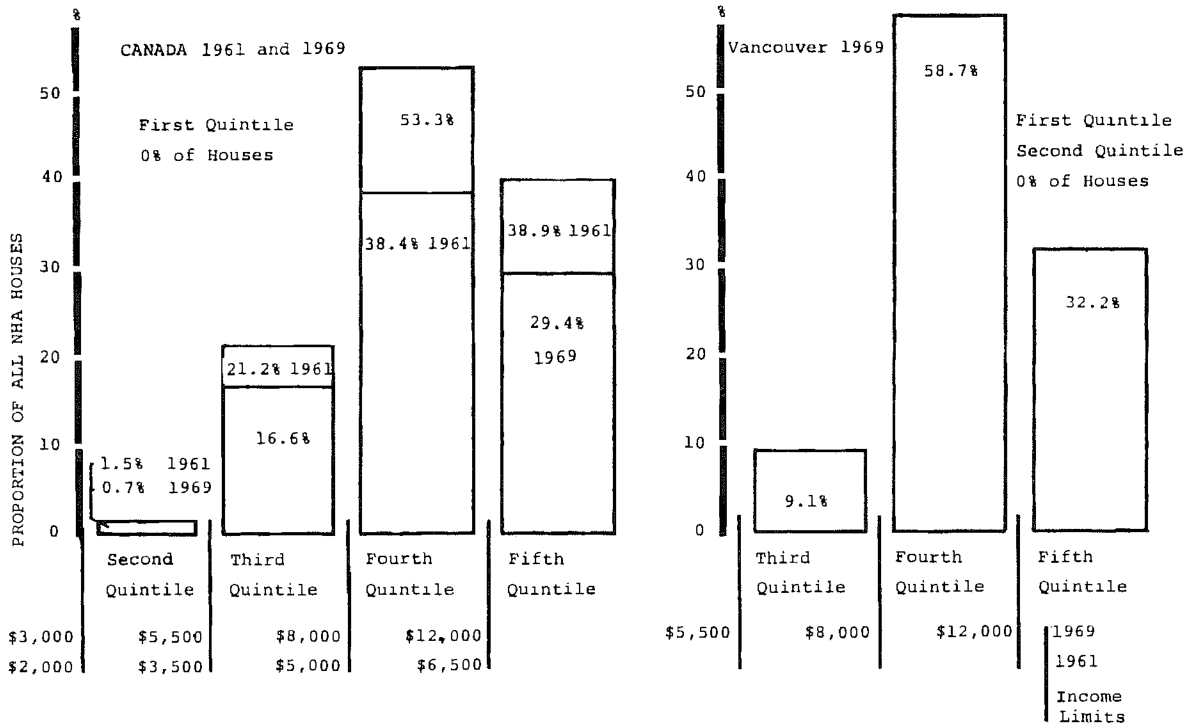
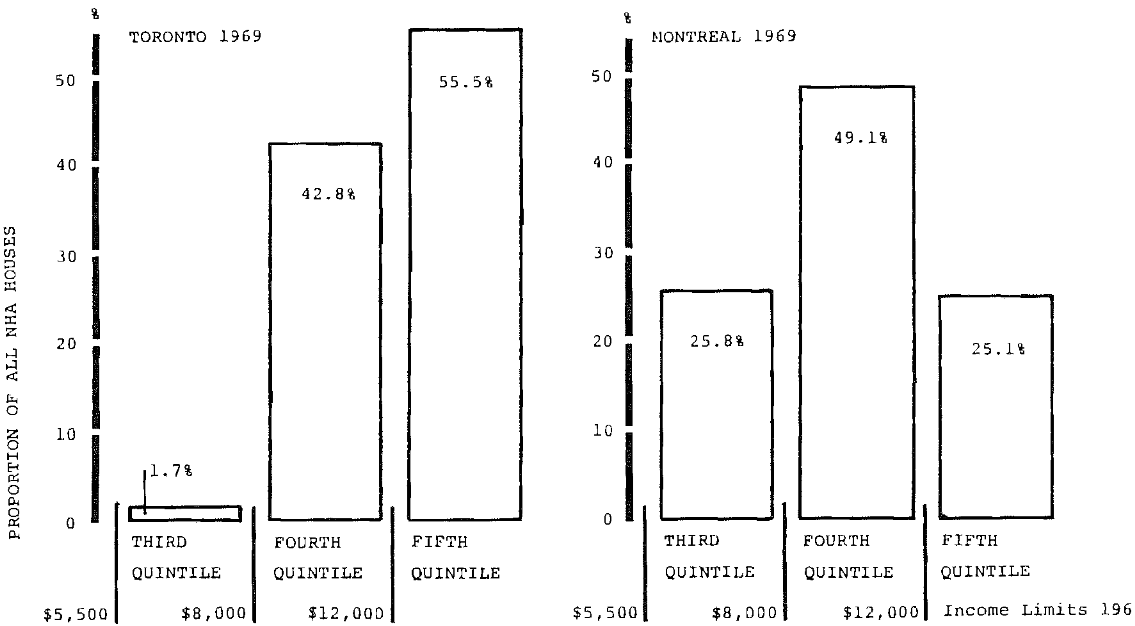


CHART 22

CHART 22 (continued)



Sources: CMHC, Canadian Housing Statistics 1970, Table 96; also, CMHC, Statistical Handbook, p. E-3

CHART 23

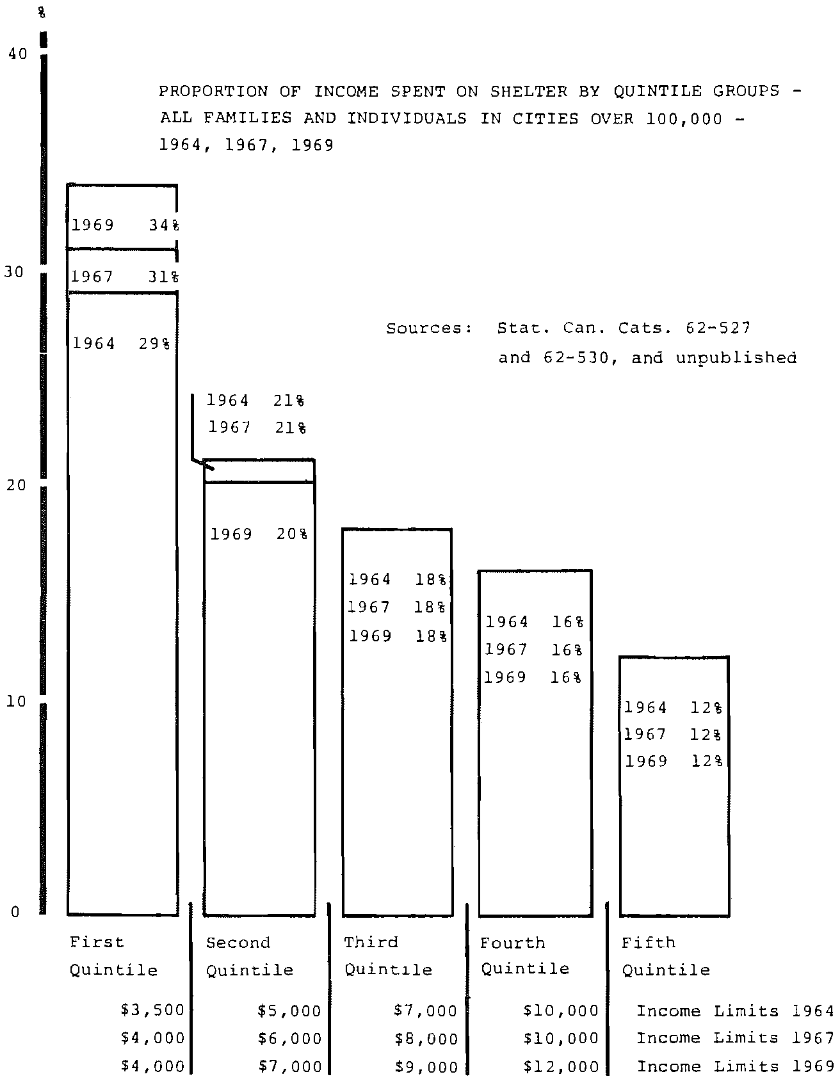

%
40
30
20
10
0
PROPORTION OF INCOME SPENT ON SHELTER BY QUINTILE GROUPS -
ALL FAMILIES AND INDIVIDUALS IN CITIES OVER 100,000 -
1964, 1967, 1969
1969 34%
1967 31%
1964 29%
Sources: Stat. Can. Cats. 62-527
and 62-530, and unpublished
1964 21%
1967 21%
1969 20%
1964 18%
1967 18%
1969 18%
1964 16%
1967 16%
1969 16%
1964 12%
1967 12%
1969 12%
First Quintile
Second Quintile
Third Quintile
Fourth Quintile
Fifth Quintile
$3,500 $5,000 $7,000 $10,000 Income Limits 1964
$4,000 $6,000 $8,000 $10,000 Income Limits 1967
$4,000 $7,000 $9,000 $12,000 Income Limits 1969

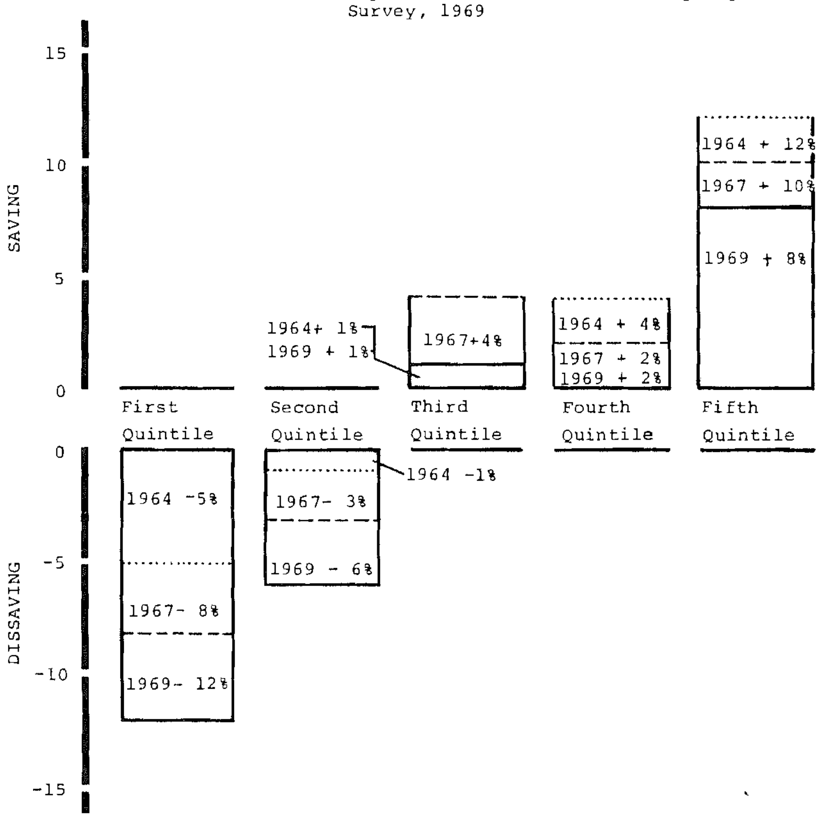
CHART 24

INCREASE IN LIABILITIES OR ASSETS AS A PROPORTION OF INCOME - ALL FAMILIES AND INDIVIDUALS IN CITIES OVER 100,000 - 1964, 1967, 1969.

Sources: Statistics Canada, Cat. 62-527, Urban Family Expenditure 1964 (Ottawa: Statistics Canada, 1968);

Statistics Canada, Cat. 62-530, Urban Family Expenditure 1967 (Ottawa: Statistics Canada, 1971);

Statistics Canada, Unpublished tables from Family Expenditure Survey, 1969



Chapter 4

Housing and the Institutions of Government

The Federal Perspective

THE FRAMEWORK OF NATIONAL POLICY

Professor D. V. Donnison, a leading English housing expert, has outlined three general approaches to housing policy taken by European governments: the assisted free market approach; social housing programs combined with free market production; and comprehensive housing policies.[1] The first he identifies with countries in the early stages of urbanization and industrialization (Turkey, Greece and Spain), the second with more advanced industrial societies (Great Britain, Switzerland), and the third with countries like Sweden, France and Germany, which, while no more advanced industrially, have passed through the social housing policy stage to deal comprehensively with housing problems.

The goal of the assisted free market approach is to increase total production. By way of incentives and institutional reform, government attempts to channel more funds into housing without concern for the distribution of the new housing produced. Techniques such as income tax subsidies, mortgage insurance schemes, the creation of special mortgage lending institutions, and even direct government lending, redound to the benefit of those who need help least.

Under social housing systems, the state continues to rely on an unregulated private market to serve those who can afford it and intercedes only to help those who cannot.

> In these countries government's principal role is to come to the aid of selected groups in the population and help those who cannot secure housing for themselves in the 'open market'. Its operations are designed

[1] D. V. Donnison, *The Government of Housing* (London: Penguin Books, 1967), pp. 93-112, passim.

> to meet particular needs and solve particular problems; and, whether they consist of building, lending, subsidy, rent controls or other measures, these operations are regarded as exceptional 'interventions' — often temporary interventions — within an otherwise 'normal' system. Thus government is not assumed to be responsible for the housing conditions of the whole population, except in the negative sense of enforcing certain minimum standards for the protection of public health, and it is not expected to prepare and implement a long-term national housing programme. These generalizations are too crude to do justice to the complex and changing policies of the countries named. The United Kingdom, for example, adopted a rather different pattern during the years immediately after the war — when the government controlled all building and was responsible, through the local authorities, for 80 per cent of the housing programme — and she now appears to be moving again towards a more comprehensive system. Nevertheless, the scope and time-scale of our government's responsibilities for housing have always been more restricted than those of the policies it has adopted for the health services and for education. A 'local housing authority' is not responsible for preparing long-term forecasts of requirements in the manner that is expected of local education authorities and (more recently) of the health services, it is not required by law to have a chief housing officer, and the central government does not have a nationwide inspectorate responsible for maintaining nationwide standards of service as it does in other fields.
>
> Most of the countries with long industrial histories and high living standards have followed a 'social' housing policy at some stage of their development. But since the Second World War several of them have extended their commitments to a point at which they can no longer be regarded as 'interventions' within an otherwise 'normal' market; governments now shape and control this market to such an extent that their housing responsibilities have assumed a national or 'comprehensive' form.
>
> This phase arises when industrialization and the growth of cities have reached a point at which considerable savings can be mobilized for house building, good urban living standards are in demand throughout the country, labour is fully employed and additional resources cannot be diverted to the housing programme without compensating cuts in other sectors, and government itself has a well trained and reliable body of administrative and technical staff at central, regional and local levels. Since the countries with 'social' housing systems have attained this level of organization, these conditions alone are insufficient to account for the pattern of responsibilities to be discussed. To these conditions must be added a constructive sense of crisis, derived from severe housing problems and a determination to solve them.[2]

In Canada, we have had a social housing program, on paper at least, since 1949. In practice, a minimum of funds or effort were expended on social housing programs until the last three or four years. Before 1969, reliance on the assisted free market was as strong in Canada as it was in Turkey or Spain. And although there has been an increase in social housing investment, government emphasis continues to be on programs and structures to cajole private money

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[2] *Ibid.*, pp. 93-4.

into the housing market. Government housing efforts continue to operate without a policy context to balance, blend, and direct the social housing and market oriented housing thrusts.

Federal efforts in the general housing field began with the Dominion Housing Act, 1935, which enabled the federal government to make loans for upper and middle income housing jointly with financial institutions.

> The objective of the legislators of that day was primarily the relief of unemployment; one might say that the Federal Government fell into the housing field accidentally in an endeavour to assist the country out of the difficulties of the hungry thirties.[3]

The seemingly unplanned incursion into housing was extended in 1938 when the National Housing Act was passed and the first sortie into the field of low income housing was made. The Act — which mirrored the U.S. legislation passed between 1934 and 1937 — authorized the Minister of Finance to make low interest loans to local housing authorities (including provinces, municipalities, and local groups) who would provide housing with fixed low rentals for low income families. Municipalities were required to limit tax levels on the units and thereby subsidize them.

> No units were produced under the legislation because of provincial delays in enacting necessary complementary legislation and because of wartime economic conditions . . . The wartime expansion of Canadian industry which started in 1940 produced demands for industrial workers which exceeded the supply in many localities and population shifts were necessary to support the war effort. Thus new housing at critical centres also became an essential part of the war effort. No one at that time was firmly convinced that the mushroom expansion would continue as a permanent part of our cities, however, and the investment in housing which was necessary to support it seemed to many a poor risk. The Federal Government, faced with such a dire need, overcame its reluctance to provide state-owned housing. Through the agency of Wartime Housing Limited, one of the Crown companies created by C. D. Howe, and using monies appropriated for the Department of Munitions and Supply, the government embarked on a program for the construction of inexpensive housing considered at that time to be temporary in character. In that five years from 1941 to 1945 over 19,000 housing units were constructed and psychologically Canadians crossed the hurdle of an almost universal abhorrence of the idea of state-owned housing. The flow of returning veterans, most of them clamouring for housing, started in 1945. By then, government had realized from its wartime housing experience that direct action could put housing into place to serve a particular need, and the wartime housing agency was pressed into service to build houses for veterans. Between 1945 and 1949 more than 27,000 houses were thus constructed.[4]

---

[3] A. D. Wilson, "Canadian Housing Legislation," *Canadian Public Administration* (Vol. 2, 1959), p. 219.
[4] *Ibid.*, pp. 220-21.

In 1944, with the war apparently won, the government began planning for the return to peacetime conditions. The report of its Advisory Committee on Reconstruction was published in March of that year. The Committee contemplated a sequence of: 1946-7 reconversion and contraction; 1948-50 re-equipment boom; 1951 economic peak; 1952-4 rapid economic decline.[5] Housing, according to the Committee, should be used as an anti-cyclical stabilization tool, with production geared up in times of economic contraction and slowed down in boom times.

> Construction work in the housing field can be of particular importance, both in providing employment opportunities for men demobilized from the armed forces and for men released by war industries, and as a productive vehicle for both public and private investment, such as will be needed for a full employment policy under peacetime conditions.[6]

The Committee examined housing need in the country and set target goals reflecting that need, including a goal of 50,000 units in the first full post-war year, *about one-third of which would be low income housing.*[7]

Housing was still considered as an economic lever, to control employment and growth, but balanced in that consideration was an attempt to analyze, measure, and begin to meet low income housing need. That attempt to plan for housing has not been matched to this day.

In order to expedite the provision of low rental housing, the legislation was amended in 1944 to introduce federal assistance for slum clearance, if the cleared area was to be used for a low rental housing project.

In 1946, Central Mortgage and Housing Corporation was established to administer the National Housing Act. It inherited from the National Housing Administration of the Department of Finance responsibility for the administration of joint loans, the wartime conversion plan, the home improvement guarantee program, and the wartime emergency shelter regulations. The next year it assumed the management of all completed Wartime Housing units.

Why was the Corporation created and the housing function shifted from Finance?

> The form of organization chosen to propel Canada's postwar housing production was very familiar to the Minister of Reconstruction and Supply, Right Honourable C. D. Howe. Under wartime conditions a number of Crown Corporations had shown their capacity to deal with urgent tasks, with the initiative and muscle not always available to government departments.
>
> In a crisis it had seemed best to set a clear objective, provide the necessary funds and appoint a strong management with reasonable freedom of action and a detachment from government and politics. In this crisis the objective was clear: a lot of housing, quickly . . .
>
> During 1946 the management of Wartime Housing Limited came into closer relationship with CMHC while it continued to bring houses to

---

[5] *Report of the Advisory Committee on Reconstruction,* March 1944, Volume IV, p. 150.
[6] *Ibid.*
[7] *Ibid.*, p. 153.

> completion for the use of veterans' families. In 1947 CMHC took over the management of the 26,000 houses and embarked upon the program of Veterans' Rental Housing which produced another 25,000 houses in the next three years.
>
> By 1949 CMHC was . . . the landlord of more than 40,000 families in 50 communities across Canada; there was some feeling that once the nation's obligation to veterans had been fulfilled this was not an entirely desirable role for a Federal Government Agency and, anyway, many of the veterans expressed an interest in owning the houses they lived in and so becoming a more normal part of the suburban population. There were some who doubted the wisdom of selling this large stock of publicly-owned housing that might prove to be an important asset in dealing with the future needs of low income families. But the future was not clear and, after all, the wishes of the veterans themselves had to be respected. So this widespread rental property was gradually disposed of.
>
> The success of the program certainly fulfilled Mr. Howe's expectations of what could be done by a Crown Corporation with the independent authority to do business with municipalities, with builders and with tenants.[8]

Repeated attempts were made to increase private production. In 1946, the Corporation was enabled to give buyback guarantees to speculative builders who would build houses for sale to veterans. In 1948, provision was made for guarantees to rental developers. At the same time, the residual lending position of CMHC began to develop. In 1946, it was empowered to make direct loans to primary industries for housing. In 1947, the present section 58 was added, permitting the making of direct loans if a joint loan was not available from a lending institution.

In 1949, concerned with the growing federal role in housing and its cost implications, the government introduced the first provisions permitting subsidized public housing under a federal-provincial partnership.

Since that time, there have been three major legislative developments and three major administrative policy shifts arising from political decisions. The major legislative changes were: the 1954 amendment permitting the Corporation to insure loans by approved lenders for middle income housing, the 1956 and 1964 amendments broadening the scope of urban renewal, the 1964 changes[9] permitting public housing loans to provinces and municipalities as a substitute for the partnership approach.

The 1954 legislation has been eminently successful. Since that time, more than 60 per cent of the units built under the NHA were built under the insurance provisions. CMHC's major role has been that of an approving authority for insured loans under those provisions. The 1964 legislation put the Corporation in a similar position for public housing. The CMHC role

---

[8] *Housing in Canada*, Supplement to the 25th Annual Report of CMHC, pp. 9, 11 and 12.

[9] Section 40 provided for a joint Federal-Provincial partnership for public housing with a 75-25 per cent split of costs; section 43 (passed in 1964) provided a loan for 90 per cent of costs to provinces or municipalities.

changed from that of initiator, developer and partner to that of banker, approving loans of public funds for specific projects.

The three major administrative policy shifts were the development of a large-scale direct lending role in 1957, the sudden growth and then winding down of the urban renewal program from 1965 to 1969, and the shift in emphasis in direction and scale of direct lending for social housing from 1969 to date.

The economic slowdown of the late '50's, the drying up of funds for residential construction, and continuing urbanization of the country compelled the government of the day to pour public funds into housing in 1957. The decision represents the first use of housing as a major stabilization tool. That role has had tremendous importance in the development of CMHC as an institution. The Department of Finance has come to rely on it to play that role and has depended on its ability to deliver housing starts quickly. This has reinforced the Corporation's close liaison with the building industry.

It has also resulted in substantial profits to the government from the Corporation's lending activities. CMHC borrowed from the Bank of Canada at the government borrowing rate and lent to the public at almost market rates. This ensured the financial stability of the agency and freed it from the close Treasury Board scrutiny that other public corporations like Air Canada and the CBC experience. The preservation of that freedom has become an institutional goal and has affected program development and mix.

Public and builder reliance and dependence on CMHC loans has continued, and the federal government has been a major source of housing funds ever since. Direct lending has equalled slightly more than half the units approved under the insured loan provisions.

Here again the Corporation's role has been that of a banker, approving or rejecting individual applications in the same way any other institutional lender would. The great bulk of those loans have gone to the middle or upper income group, as have the loans made by other institutional mortgage bankers.[10]

From 1954 to 1968, lending for low income housing amounted to less than 20 per cent of public funds lent directly for housing, to 9 per cent of all funds lent for housing under the NHA during that time, and to about 4 per cent of all funds put into new housing.

In 1969, on the decision of the Minister, R. K. Andras, that lending pattern was reversed.[11] In that year, and in 1970, lending for low income housing was about 80 per cent of all direct federal lending for housing purposes.

CMHC, then, was created as a flexible, active, business-like crown corporation to get housing moving in a post-war housing shortage perceived of as a crisis. It inherited the existing housing banking functions as the necessary

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[10] *Canadian Housing Statistics, 1970,* Table 99.

[11] It should be noted that the suspension of funding for new projects under the urban renewal program — the third major administrative policy shift — parallels the developing concern with the low income housing problem. The program was stopped because of the social dislocation it caused and because of rapidly rising cost levels.

tools and picked up others along the way, particularly its "residual" direct lending powers. When the perception of crisis passed and the insured lending program gained momentum, its major function became that of insurer and approving authority. In 1957, it developed a second major function: of housing loans to the upper and middle classes (a role which had existed only on paper until that time). In 1964, it took on its third major housing role: banker to the provincial housing corporations.

In the last five years, and particularly the last two, the commitment of federal funds to low income housing programs has increased rapidly. Almost all the required capital is raised by the federal government, as are more than half the required subsidy payments. In 1969, CMHC lent $451 million for low income housing and in 1970 it lent $726 million for that purpose. That compares with an average annual lending of $12 million from 1946 to 1955 and an average of $42 million annually from 1956 to 1965.

CMHC is responsible for developing and evaluating housing policy at the federal level and for planning and implementing greatly expanded social housing programs. It is clear that the Corporation's role, and thus planning needs, have changed considerably over the years. Structural changes to undertake the new role, however, have simply been grafted onto the older structures not designed to implement a social housing policy. The remainder of this chapter examines the way in which planning and policy development for social housing is undertaken and the suitability of existing structures to implement social housing policy.

The Development of Policy and Structure

The administrative structure of Central Mortgage and Housing Corporation has remained basically unchanged since its inception. Head Office has always been organized functionally, local offices geographically. The lack of change has had three important implications for the ability of CMHC to administer an expanded social housing program:

(1) a failure by the Corporation to respond to new functions and roles,
(2) a failure to adopt new organizational forms and techniques,
(3) a reluctance to engage in substantive innovation.

What structural changes have occurred have been largely due to attempts to streamline the Corporation's banking operations.

Before 1949, the decentralized administrative structure of CMHC was complemented by an equally decentralized decision making process. Branch offices — responsible for direct negotiations with municipalities in the planning and construction of veterans' rental units — developed close working relationships with local authorities that are evident to this day.

1949, however, was a milestone in policy development. It was in 1949 that CMHC stopped initiating projects; instead, in a complete policy turn-about, CMHC adopted the essentially reactive role it has retained to date. In Parliament on February 19, 1949, the Prime Minister announced the policy change:[12]

[12] *Quoted in a letter,* Minister to Prime Minister, February 23, 1949.

. . . In most of its aspects, housing is a function of property and civil rights, and property and civil rights fall within the jurisdiction of the provincial and municipal governments. Direct participation in housing development by the Federal Government is, therefore, limited by our limited constitutional authority . . . Both constitutionally and practically, low rental housing policy must be initiated either by the provinces or by municipalities empowered to do so by the provinces. We stand ready, at all times, to discuss this problem with any provincial government in an effort to work out satisfactory long-term arrangements between the municipality, the province and the Dominion.

In an internal memorandum dated June 3, 1949, the cardinal principles to be maintained in discussions with the provinces were outlined:[13]

(1) The role of the federal government was to be primarily financial, with CMHC lending technical assistance to the province, municipality, or local authority, as it was needed;

(2) There was to be no direct federal construction and operation; and

(3) Subsidized rental housing was now to be a joint federal-provincial matter, with the provinces determining whether or not municipalities would be asked to participate financially. The provinces were to appoint local authorities to whom powers of construction and operation might be delegated, but the joint owners were to retain control of those operations.

The memorandum went on to suggest:

The provinces have escaped very lightly over the last 3 or 4 years, and I am afraid the very activities of the Dominion for veterans has created the belief in the public mind that the Dominion is indeed the only authority who can provide public housing. Progress could be made if the thought could be got across that the Dominion accepts some financial responsibility for public housing in an overall social security program, but is incapable of acting alone in the field.

The resulting legislation effectively cut the federal government off from direct negotiations with cities and substituted instead negotiations with the provinces.

The move away from direct action in public housing and toward a banking function was further reflected by the decision to start selling the veterans' houses built in the preceding years. The decrease in property holdings and the subsequent increase in the volume of direct loans resulted, by 1951, in the closing of 11 district rental offices and the creation of additional branch offices bringing the number to 28.

Early in 1950, the suggestion was made that representatives of the three levels of government should form a joint development committee system to plan for the development of public housing. The proposal was sharply rejected on the grounds that the responsibility for planning for public housing rested entirely with the federal-provincial partnership:[14]

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[13] *CMHC Memorandum*, June 3, 1949.
[14] *CMHC Memorandum*, January 30, 1950.

> Projects will be undertaken jointly by this Corporation and a province. The provincial representative and the Corporation represent the interests of the Partnership. All acts will be done under a Partnership agreement, and these two named persons will settle details relating to the project, and in major matters will obtain the confirmation, where necessary, of the Corporation and the Province respectively.

During the course of these discussions, both within the Corporation itself and between the Corporation and the provinces, the municipalities were deliberately ignored except where a province specifically asked CMHC personnel to discuss the matter with municipal representatives:[15]

> I am not surprised that the Mayor of Calgary knows nothing of the Dominion-Provincial arrangement. You will remember that we have been following a very deliberate policy of limiting our activities to the provincial governments. We wish to avoid any appearance of pressure being placed upon the provincial governments instigated by us at the municipal level.

A year later when the provinces of Nova Scotia and Alberta requested the federal government to deal directly with Halifax, Edmonton, and Calgary, the Minister took the position that the federal government would deal with a city *only* if the province appointed it as its agent with complete authority to finalize any deal. The federal position was taken with full confidence that the provinces would find the conditions untenable and withdraw the pressure for direct federal-municipal discussions.[16]

The federal government was responding in a very selective manner to the provincial initiatives outlining the most effective approach for the delivery of public housing in each province. Those provinces which preferred to rely on existing municipal expertise were largely disregarded and the possibility of immediate direct action in the field of public housing in those areas was laid to rest.

From 1955 until 1964 the Corporation underwent a period of intense internal examination and discussion on the nature of public housing programs and their implications for the role of CMHC. Two elements of the discussion — extremely important in determining the role (and, from that, the structure) of CMHC — were:

(1) the nature and purpose of the housing programs — were they to be economic levers or instruments of social policy?

(2) a decision as to what constituted "local", i.e. which level of government CMHC was to deal with regarding "local" matters — the provinces or the municipalities?

In 1955, the Corporation suggested that an expanded social housing program be considered. R. H. Winters, the federal Minister responsible for housing, responded to the proposal by restating the government's position that housing is a field for private enterprise and that the government should not compete in that field:[17]

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[15] *Memorandum*, President to Minister, February 15, 1950.
[16] *CMHC Memorandum*, May 30, 1951.
[17] *Memorandum*, Minister to President, 1955.

> We have always spoken about the "notch" between the upper limit of operations under section 36 and a lower limit of costs at which private enterprise is able to provide corresponding accommodation. If this notch is not maintained, there seemed little justification for the Federal Government being in this particular field at all.

Although an expanded social housing program failed to gain ministerial approval, an internal reorganization took place at CMHC that laid what might have been the administrative groundwork for an expanded social housing program. The reorganization involved the formation of the Development Division at Head Office, integrating the architectural, technological, and economic talents of CMHC into one group. The Division was primarily concerned with public housing and urban renewal. The 1949 National Housing Act amendment, permitting federal-provincial low rental housing projects, had resulted in only 3,000 units by 1955. At the same time, there was growing concern about the deterioration of inner city areas and the general lack of systematic planning at the municipal level. In keeping with the development of the planning discipline at that time, the Division turned to physical (rather than social) planning and design solutions. The strong emphasis on physical requirements is still evident today in the two successors to the Development Division: the Urban Renewal and Public Housing Division, and the Architectural and Planning Division.

From a structural perspective, the Development Division represented a further centralization of operations and authority at Head Office. Project cost, design, and amenities were determined there and approved by senior management. Field offices were removed from the process except for the provision of technical support services.

The breadth of the social housing program (and the subsequent role of CMHC in the provision of housing) continued to be the subject of debate. Corporation personnel were by no means of one mind. But the Corporation's president favoured an expansion of social housing and consequently was coming more sharply into conflict with the attitudes and opinions of both the Minister and the Corporation's own board of directors; a conflict not unique to Canada:[18]

> . . . controversy about housing policies continues unceasingly in all countries. Indeed, it takes certain classical forms. Politicians and officials attached to Finance Ministries, responsible for the orderly growth of the economy and the stability of the currency, often regard housing as an 'unproductive' investment that is liable to reduce saving and generate inflationary demands for consumption goods; some therefore prefer to treat house building as an economic 'regulator' to be increased only when there is a threat of deflation and unemployment. In Ministries of Construction or Housing and in organizations responsible for building houses or concerned with the technical development of the building industry, people tend to seek long-term rising programmes, sustained by high savings and high rents, that will enable them to put up as many houses as possible, increase productivity, and perfect new building methods and materials. If the economy requires adjustment they look for cuts elsewhere, and if some people cannot afford the new houses

[18] Donnison, *op. cit.*, p. 109.

> produced, their needs, it is assumed, must be disregarded or met in other ways. Others, primarily concerned with the development of backward regions or the needs of the poverty stricken and the badly housed, are more interested in the distribution of the housing programme than in its total size, and call for low rents, generous subsidies and a fairer distribution of existing houses. They are also more likely to be interested in the improvement or replacement of older property — always a costly process.

Indeed, a 1957 probe for an expanded social housing program brought the following response from a member of the Corporation's board:[19]

> My main criticism of the statement is that it seems to assume that public housing is primarily an instrument of social policy to remedy directly the condition of those of the poor who are living in bad housing . . . Public housing at this stage in Canada . . . should be regarded primarily as an economic matter and as a part of urban development or redevelopment rather than an instrument of social policy . . . Construction of any particular housing project should be based on economic . . . considerations primarily . . . The needs of an individual (and) selection of particular tenants should be secondary . . . Public housing projects should also be at a minimum standard as far as accommodation is concerned . . . This should be deliberately used not only to achieve economy but to make clear that we are not competing with private enterprise who we assume will be building a more attractive product intended for those who can afford it.

Although the Corporation continued to press for an expansion of the social housing program and had begun to develop the organizational capacity to undertake such an expansion, housing policy continued to be viewed in economic terms. So the Corporation had to go on adjusting its administrative structure to reflect this economic emphasis.

In 1956, a seemingly routine reorganization study was undertaken because loan application costs were threatening to exceed the fee charged to cover administration. The reorganization study, conducted by Price Waterhouse Associates, suggested that the Corporation reorganize itself along functional rather than geographical lines.[20] To do this, several multi-purpose branch offices would be closed (thus centralizing the nodes of local authority). Where it was appropriate, they would be replaced by specialized loans offices. The responsibility for lending was then passed on from the regional offices to the branch offices. The branch offices were now expected to communicate directly with Head Office on matters of policy, rather than with the regional offices. The regional offices were reduced to auditing local operations and "representing the President in the field." All done to ensure that the loan application fee would cover the administrative costs.

No thought was given at that time to the special administrative arrangements that might be needed to deliver a social housing policy. The emphasis in this reorganization was entirely on market housing programs which formed

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[19] *Letter* to President, February 12, 1957.
[20] *Price Waterhouse Report,* 1956.

the bulk of CMHC activity. The reorganized administrative structure reflected this emphasis.

More important, however, the reorganization also failed to address itself to two fundamental concerns of public administrative structures: the nature of the authority pattern and the quality of the planning capability. One result of this oversight was that the regional supervisors, the most senior field staff representatives, were left with little direct authority in any decision area and without a clear job description. This uncertainty, in many cases, led regional supervisors to rely increasingly on personal contact, tenure, and operating style as the sources of their authority; they should, of course, have been able to simply refer to Corporation policies, priorities, or administrative structures.

The decentralization of lending activity effected by the reorganization, the failure to address the questions of the pattern of authority and the quality of the planning capability, and the centralization of social housing decision-making with the Development Division all laid the groundwork for many of the confused and conflicting organizational characteristics exhibited by CMHC today.

Although the debate on the role of housing — as an instrument of social policy or as an economic lever — continued, the parries and thrusts had little effect on administrative reorganization. It was not until 1970 that a concern for policy planning, overlooked in 1956, became sufficiently intense to result in the creation of a Policy Planning Division.

Developing a Policy Planning Capability

In the first decade of the Corporation's life, policy planning was done by the President and the Minister, with inputs from the Board of Directors and several senior executives.

In 1955, the Advisory Group was created and shortly thereafter an Administrative Research Group was established. The former acted as advisors to the President on policy matters, particularly in the late '50's — a period of time during which major policy reviews were being undertaken by Executive Directors in efforts to overcome Board opposition to an expanded social housing program. A major review of the public housing, limited dividend, and cooperative housing programs was undertaken by the Executive Directors with the Advisory Group in 1962, and resulted in the major NHA revisions of 1964.

It was during this time, under the stimulus of the Advisory Group, that the federal government developed both its approach to low income housing and the legislative tools it would use to carry out that approach. The student housing program, with loans at preferred lending rates (mostly to universities) to provide housing for students, regardless of income levels, was begun. A sewage treatment program was initiated, with loans and grants to municipalities to improve sewage treatment plants and trunklines and thereby open up lands for residential use. A public housing loans program was developed to supplement the partnership approach. The full recovery entrepreneurial low rental housing program was wound down and a shift to institutional non-profit housing developed. A federal assisted homeownership program was rejected, as was the

development of a cooperative housing program. The provision of operating subsidies for housing was confined to public housing. A major urban renewal program was adopted, with emphasis on demolition rather than rehabilitation.

To a considerable extent, the momentum passed to the provinces (Ontario and Quebec in particular) in 1964, and the Corporation has since reacted to their initiatives. In 1965, the last major policy review conducted within the Corporation was carried out by the Advisory Group. It was primarily an in-house review, although outsiders were interviewed as well. The recommendations dealt primarily with the improvement of existing programs.

The review "did not uncover any remarkable failures and deficiencies in the present Act."[21] All that was needed was a change in emphasis and orientation. The main effort would be to sustain the volume of production. If the orientation shifted to the general area of public action, the Corporation would "need to be an even more active and creative force in the promotion and support of programs for housing and community development."

A number of progressive recommendations were made. These included: assisting homeownership through long-term low-interest rate loans in rural areas; abandonment of the entrepreneurial limited dividend housing program; 100 per cent loans coupled with capital grants for housing to be provided by non-profit corporations; assumption by the federal government of an increased share of public housing subsidies; grants-in-aid for the establishment and organization of non-profit housing agencies; grants for rehabilitation in rural areas, economically depressed regions and fringe urban areas; the grouping, in one division of the Corporation, of responsibility for all low income housing programs, public and private.

A change in role was clearly envisaged. The Group:

> heard many suggestions about the future role of the Corporation and how it might become a more active, outgoing and constructive force in the development of ideas and actions, and how its technical and information services could be extended into situations and places that are not now adequately reached. In its present form, the Act does not define this institutional role of the Corporation that lies beyond its administrative and financial responsibilities . . . It is clear to us that this extension of the activities of CMHC was an inherent part of any new emphasis and reorientation in the national housing legislation.[22]

No action was taken on any of these recommendations (although a few of the Report's recommendations were adopted in legislative amendments the following year). The Corporation's Executive, the Minister, and Cabinet vetted them, and few of the suggested changes survived.

CMHC has not pressed for their implementation since that time. Nor, until recently, did it reorganize to carry out the recommended initiative, developmental role. The stimulus for policy review and change has come from the ministers responsible for housing. Major policy shifts have followed from the investigations undertaken by the Hellyer Task Force and the follow-up by the

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[21] Report of the Advisory Group to the President, November 12, 1965.
[22] *Ibid.*, p. 44.

succeeding Minister on the findings. CMHC, however, made no policy input into the Hellyer report and its role has been primarily a technical one for the several new thrusts adopted by the Ministers, Hellyer and Andras.

The Corporation appeared unable to mount a major policy review as it had done in the past, although the scope of its policy problems had expanded greatly both in numerical terms and in the way in which the issues are defined and the value bases from which they are approached. The expanded scope and increased complexity of the social housing programs demanded sophisticated, sensitive, and socially responsive policy planning. Yet, when the Policy Planning Division was finally established in 1971 (its predecessor, the Policy Planning Group, was set up in 1970) the report setting up the Division noted that the Corporation was almost completely lacking in a policy planning capability, especially in the field of social housing.

> The actual definition of policy and the effective meaning of policy decisions in CMHC are obviously up in the air. It would appear that policy development (is) responsive in nature and tactical in impact, as opposed to the more anticipatory character of strategic policies.[23]

In many ways the conditions reported by the consultants were natural outgrowths of the Corporation's dominant ideology: the Corporation was a banker and government-sponsored housing was to be kept as a residual program only. This led the Corporation into a pattern of *responding* to requests for loans or housing projects rather than *initiating* activity. In short, CMHC was unwilling to critically examine its own role and functions in the context of a broader examination of housing problems and the steps necessary to correct them.

The general unwillingness to examine its role has created an unsympathetic environment in which to initiate policy planning. A further obstacle to policy planning is the variety of factions and groups within the Corporation, each of which has its own view of the role and purpose appropriate for CMHC and each of which has developed a power base from which to participate in policy-making. Although this was recognized by the consultants who recommended the establishment of the PPD, the recognition did not lead to a rationalization of the entire decision process. Such a rationalization would have addressed itself to the development of a policy planning capability within the entire organization and would have met head-on the policy-making process facilitated by the patterns of authority that had built up over the years.

As a result, when the Policy Planning Division was founded in the Corporation, it was grafted on to Head Office operations with little apparent concern for how it would fit in. The lack of a broad organizational consensus on the need for *rational, initiative* policy-making as distinct from *positional, passive* policy-making (the model used by the Corporation to date) has resulted in a strong organizational resistance to policy planning.

Positional policy-making relies heavily on personality and tenure and is often coupled with an administrative structure in which operating authority

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[23] *A Synthesis of Comments and Proposals, Part 2*, Intendes, CMHC, page 7.

is fragmented and formal positions unclear. In CMHC, positional policy-making is further facilitated by the extended tenure of senior executives and an almost total reliance on Corporation personnel for executive appointments. All senior CMHC officials have risen through the ranks. None have been brought in from other government agencies or the private sector.

The rational model for policy-making assumes a series of specific, sequential stages:

1. recognize the policy problem
2. determine its nature
3. present alternative solutions
4. examine the advantages and disadvantages of each
5. put the alternatives in order of priority
6. select a new or altered policy.

The rational and positional models are not necessarily mutually exclusive. They often tend to be in conflict, however, because the rational model stresses decisions on merit — an approach that tends to weaken reliance on personality, tenure, and position (the individual power base).

The introduction of the Policy Planning Division constituted an effort to introduce the rational model of policy-making. Presumably, it was hoped that a strong policy planning research unit would evaluate present policies and alternative ones and assist in developing a broad range of options from which political decisions could be made.

The new Division has had little impact on CMHC policy-making. Some half dozen task force reports have been submitted to the Corporation, reviewing the operation of all major NHA programs and suggesting possible changes in direction. The PPD has reviewed those reports, undertaken its own research, and developed a comprehensive framework from which critical policy choices can be made and new programs developed to implement them.

That framework has not been acted upon. New programs have been developed without any clear rationale or plan for implementation.

Programs dealing with assisted homeownership, rehabilitation, neighbourhood improvement, non-profit housing are apparently[24] being undertaken. No context for funding and implementation has been adopted, nor any clear program goals, except the usual one — more starts:

> While there will no doubt continue to be ample scope for the use of public housing in meeting the housing problems of large numbers of Canadians, it seems probable that a programme broad enough to hold promise of an efficient and general solution to the low income housing problem will call, sooner or later, for a wide variety of legislative techniques.

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[24] No public announcement has been made of the programs and no details are available. "Background" briefings have been given by officials of the Prime Minister's Office and CMHC. (*The Toronto Daily Star*, January 31, 1972; *The Toronto Globe and Mail*, February 18, 1972). It appears that provincial agreement will be sought before the programs are announced in the House of Commons or to the public.

> The question of techniques is subsidiary to that of goals. In one respect at least, the question of goals would appear to have been resolved in the actual activity of the last four years. A goal stated rhetorically is one thing. *A goal which represents the only logical underpinning for an established and deliberate course of action is more credible, whether it is stated rhetorically or not.* The great majority of Canadians have long since been well housed. What is at stake now is the establishment of decent standards, and help to attain them, for that minority of Canadians who have not.[25]

That is, the activity of building new social housing units, to augment the amount of decent stock available to the low income group, remains the only logical, credible housing goal.

The Organizational Characteristics of CMHC

Piecemeal reorganization, inattention to policy planning, and a greatly expanded social housing program, combined to give rise to a confused, conflicting, and often ad hoc set of administrative arrangements.

The Corporation's structure and working relationships are characterized by: non-uniform decentralization, upward flow of communication, non-uniform policy development, and non-uniform policy implementation.

NON-UNIFORM DECENTRALIZATION Although the 1958 reorganization substantially decentralized direct lending operations, social housing responsibilities remained highly centralized. Partly due to the political nature of the program and the Minister's desire to approve each project individually, continued centralization of the social housing program is more the lack of agreed upon goals and performance criteria that would facilitate a delegation of authority. In their absence, a case by case approval — often resulting in decision reversal and delays — becomes the only mechanism to control the end product.

The upsurge in social housing activity since 1964 has underlined the problems of administering programs for a far-flung diverse country on a centralized basis. As a result, some social housing activities have been decentralized, leaving a mixture of centralized and decentralized functions that lacks a clear rationale. For example, the Appraisal Division has decentralized its appraisal functions for section 58, section 15 (entrepreneur) and section 40 to the branch level. Responsibility for section 43 and section 44 appraisals, however, remains with Head Office. The Loans Division, on the other hand, has centralized its responsibilities for sections 15, 40 and 43. While the Mortgage and Property Division is almost entirely decentralized, Urban Renewal and Public Housing and Architectural and Planning (the major social housing divisions) are entirely centralized.

The decentralization has encompassed the technical operations only. The administrative authority and responsibility for the programs themselves continue to rest, by and large, with Head Office.

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[25] *CMHC Annual Report* (Ottawa: 1971), p. 12 (emphasis added).

Two significant geographical exceptions to the pattern just outlined serve to further complicate an already confused situation. The first is Ontario, where dissatisfaction over delays in the processing of section 43 applications has resulted in a devolution of approval authority to the branch office for applications involving 50 or less units in each project. The second exception is Quebec. The Master Agreement between Quebec and Central Mortgage and Housing Corporation, first signed in 1968, stipulated that CMHC would provide lump sums in each program category. Approval authority for projects submitted under sections 40, 43, and 15 (non-profit) would rest with the province in all aspects, except for the matter of loan eligibility, which was to be decided by CMHC. The Corporation, in turn, delegated its authority in this regard to the Quebec Regional Office. At the same time, however, the Corporation refused to include section 15 entrepreneur loans in the Master Agreement, even though the entrepreneurial program is acknowledged to be a part of the broader social housing program included in the Master Agreement.

The incomplete and often inconsistent pattern of decentralization reflects an appalling lack of analysis of the objectives, and therefore administrative needs, of a social housing program. Lacking overall objectives, the Corporation is unable to assess the relative merits of proposals to redistribute responsibility; the tendency is to respond on the basis of political pressure.

UPWARD FLOW OF COMMUNICATION Largely as a result of the confusion of centralized and decentralized functions, there is a tendency to send information "back up the pipe". Head Office operating divisions have become deeply involved with routine program operation to the detriment of attention to overall policy development and coordination. Authority that could easily be delegated to the field is needlessly retained at Head Office, leaving policy development and planning to be done in an ad hoc, uncoordinated manner. The lack of integrated policy planning in turn produced insular, compartmentalized divisions. Operating authority tends to flow more from tenure and personal contact with senior management than from reference to formal divisional responsibilities, corporate policies, or government priorities.

As the concept of integrated planning in the Policy Planning Division becomes more firmly established, Head Office operations should shift. Divisions should then be called upon to justify their activities in terms of an overall policy framework and thus have to deal with problems outside their usual course of operations. This should facilitate a more rational reorganization of responsibilities, decreasing the tendency to shift the responsibility for decisions upward, and should produce a more effective instrument for policy development and proper implementation.

NON-UNIFORM POLICY DEVELOPMENT The lack of a long range planning function — presumably to be filled by the new Policy Planning Division — has to date resulted in the inadequate performance of a research function. Data collection and analysis, basic elements for performing a research function (which, in turn, forms the basis for policy development) are haphazard

and irregular. Where data is available, it is not used as a basis for policy development or evaluation. The Corporation has not developed the necessary research capability to undertake a program review. Even if program goals and priorities were agreed upon (and there is little indication that they have been), the Corporation has no established method to determine the extent to which it is meeting its goals, with the exception of a housing starts indicator.

The Corporation has never demonstrated an interest in undertaking research itself. None of the Corporation's operating divisions has developed a research capacity. In particular, Urban Renewal and Public Housing and Architectural and Planning — the two Divisions most involved in social housing programs — have not undertaken research into social issues involved in them, nor have they systematically attempted to review the effectiveness of the programs. They are not organized to do so; the Divisions are too busy with day to day operations. In addition, management has failed to define the policy issues to be researched and has not requested reports on the workings of the social housing programs.

For twenty years, most of the research into housing and urban problems has been under the aegis of CMHC under Part V of the National Housing Act. CMHC administration of Part V has been true to the Corporation's passive posture:

> In terms of outside research, up to the moment we have tended to respond to the demands made upon us; we have encouraged people to talk to us, but by and large we have left it to them to approach us and by and large we have left it to them to select the areas that they would like to research.[26]

The lack of an in-house research capability means there is no basis upon which to identify the necessary shifts in program emphasis in accordance with the Corporation's goals and priorities. An organization's budget, if it is properly developed, is the translation into operational terms of the organization's goals and priorities. The budgetary process reflects the research or policy development process that leads to the setting of priorities shown in the budget. An effective allocation of scarce resources presupposes a careful investigation of policy and program options based, in part, on a careful examination of field operations.

The field offices vary greatly in their capability, and interest, in gathering vital data in their areas. The efforts that are made to collect and store information come about largely through field initiative. Field offices receive little support from Head Office in developing a research or data collection capacity, and Head Office takes little interest in unilateral efforts by the field offices to develop such a capability. Although each regional office is staffed with an economist, for example, there is a great variance between them in the type of research they conduct and the methodologies they employ. During the heyday of Urban Renewal, Head Office had a regular liaison with the economists

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[26] H. W. Hignett in *Minutes of Meeting*, Special Committee of the Senate on Science Policy, February 27, 1969, p. 4594.

in the field. But since the hiatus on Urban Renewal, this liaison has broken down. Requests are made on a moment's notice for information and analysis which require considerable time and thought. But no attempt is made to build an ongoing research capability.

When the federal government recently requested that the Corporation provide a justification for its budget requests, the Economics and Statistics Division undertook the preparation of a 15-year housing projection at five year intervals. Although the Corporation is organized regionally in an effort to respond to the particular and distinctive needs of the various areas of the country, the major factors in the research undertaken by the Economics and Statistics Division are aggregate, consisting primarily of net household formation data juxtaposed against data on completions, conversions, and demolitions. The result of the research is expected to be the identification of a number indicating the total number of starts required to make up the deficit. The data will not provide a breakdown of need by region, nor will it address itself to the particular needs of the low income group, notwithstanding the fact that a major portion of Corporation activity is directed toward the delivery of social housing for that group.

It should be noted, however, that until four years ago there was no Economics Division. Economic research was carried out by two or three men, virtually on the backs of envelopes. The Division's work today responds to the Corporation's general emphasis on production. No analysis is done on the extent of housing need, the causes of housing price inflation, housing distribution, the interrelationship of housing policy and employment policy, the characteristics and likely program response of the construction industry and so on. No attempt is made to put housing into a broad economic context.

The field office methodology for establishing the budget requests in the first place reflects the checkerboard development of a research capability. Some regional offices attempt independent analyses of regional needs, while others do little more than add up branch requests. The branch offices, in turn, rely heavily on provincial spending levels in parallel programs, and on informal predictions by private industry concerning their future operating plans.

The emphasis on aggregate data, compounded by the attention to unit starts, has resulted in a tendency to reallocate regional surpluses in an effort to generate an increase in the number of annual starts. Identification of a surplus, based on whether or not the normal activity in the region seems likely to use up the funds, has come to be mistakenly confused with the requirements or needs of the area. But an ability to commit funds is not necessarily related to the region's need for low income housing. The failure of Head Office to account for the possible — if not probable — disparity between the two, results in a position of "super advantage" for the most efficient and well-organized provinces (notably Ontario, which is also the most wealthy).

Consequently, the budget, which should be a statement of federal initiative in policy based on an understanding of need across the country, stands instead as the passive reflection of whatever the provinces got last year, plus or minus a little.

NON-UNIFORM POLICY IMPLEMENTATION Regional Supervisors (because of their intermediary roles between Head Office and the provinces) play a combined ambassador/advocate role. They are Head Office ambassadors to the extent that they bring CMHC policy to the provinces. But the lack of a long-term, clearly stated federal housing policy has prevented them from playing an effective ambassadorial role. Instead of long-term policy, they bring only the results of the latest brushfire fighting exercise and personal interpretations of what CMHC ought to be doing in the area. The very close relations between CMHC and the majority of the provinces, which ought to provide an excellent opportunity for federal policy implementation, instead becomes the arena for personal judgement by field representatives.

Because the Corporation lacks well-considered policy objectives and priorities, it has been unable to adequately separate procedures that must be inflexible to achieve stated goals from those that must be flexible to accomplish the same purpose.

The divergent needs of the nation demand that there is considerable flexibility and room to adapt. Because the Corporation be organized with an upward flow of communication, attention has instead focused on the fine-grain detail of operations, resulting in highly-structured, inflexible programs.

Yet the need for flexibility remains. The result is that regional personnel — in their combined ambassador/advocate roles — tend to involve themselves in experimental efforts that they hope will better meet the needs of the area. Under present conditions, however, experimentation is not encouraged and rationalized; it remains an ad hoc effort that often involves stretching the rules or adjusting program interpretation. Regional Supervisors become the advocates for the needs of their areas when dealing with Head Office. This leads to single-shot, single-area experiments that rely heavily on the particular personalities involved in the decision. Results are not being analyzed and distributed to other regions, nor are formal adjustments made in procedures to permit other regions to conduct similar experiments if they desire. A process of experimentation that requires circumvention of Corporation machinery is not acceptable. The answer is not to eliminate the experimentation; it is to adjust the machinery to allow and encourage adaptability.

Development of Provincial Housing Agencies

The period from 1955 to 1964, which was characterized by extensive discussion of the role of social housing, was also a period of continued debate on the matter of local initiative and the role of the municipalities. The 1949 National Housing Act, and the governmental policy developed to accompany its administration, effectively removed the municipalities from a significant role in public housing.

The lack of municipal expertise in the pre-1949 period meant that a direct federal-municipal relationshionship required an active federal role. The 1949 policy change introduced what was, on the one hand, a decentralization of authority from the federal government to the provinces; at the same time how-

ever, it brought about a significant centralization of authority upward from the municipal level. The preoccupation with increasing provincial activity overshadowed the need for keeping decision authority as close to the community as possible, i.e. at the municipal level.

Although policy decisions facilitating the centralization of authority at the provincial level were guiding CMHC activities, the debate on the appropriate role of the municipality continued. The issue came to the fore in 1958 with a suggestion from the Advisory Group of CMHC that municipalities be given control of social housing:[27]

> . . . public housing in Canada should eventually become a direct responsibility of municipalities, with the necessary financial aids of the Federal Government.
>
> When section 16 was introduced into the Act, . . . there was in the Federal Government circles a lingering suspicion that most municipal governments were incompetent . . . this attitude . . . led to the emphasis of (sic) a federal-provincial partnership rather than an arrangement which would encourage cities to develop their own organizational resources for public housing.

The memorandum went on to suggest that the way to ensure that a municipal capability is developed is to return once again to direct federal-municipal relations. Efforts to strengthen provincial capabilities to plan and deliver social housing were considered to be highly undesirable; a newly established expert provincial staff was unlikely to have interest in phasing itself out of existence by passing its knowledge and authority on to another level of government.

Interestingly, the memorandum went on to suggest that Ontario was likely to be the only province that would insist on the development of a provincial capability and would proceed from there to resist strongly any efforts to strengthen municipalities.

A similar concern was raised again in a CMHC memorandum, in 1961:

> The scope and responsibility of municipal governments has changed since the war and certainly the larger municipalities are better geared today than they were ten years ago to handle an operation such as public housing . . . In line with the spirit of the Canadian Constitution, full responsibility for the operation should be transferred to municipalities with the Corporation assuming the role of a lender and participating in rent reduction funds subject to the necessary guarantees . . . The Corporation should be a source of inspiration and technical information for those practising professionals who would be employed by the municipalities in public housing projects.

In 1962, the Advisory Group again presented a proposal that endorsed an increase in local government responsibility in the area of public housing, with the federal government providing loans, grants and technical know-how. The Advisory Group proposal closely coincided with apparent Ontario intentions to move toward a strengthening of the municipal role.

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[27] ***CMHC Memorandum***, July 3, 1958.

> The problem of providing public housing in Metropolitan Toronto is admittedly more complex than . . . in any other municipality. Because of this complication, combined with the greater need for public housing to be constructed on a large scale, we have proposed, and our federal partner is considering with us, the possibility of setting up the Metropolitan Toronto Housing Authority as a company empowered to negotiate, secure approvals, call tenders for, and construct public housing projects within that municipality . . . If the details can be worked out and the scheme set in motion . . . it should result in the simplification and speeding up of public housing development in Metropolitan Toronto . . . this is an experimental project and, if successful, it may well be extended to other municipalities throughout the province.[28]

In 1962, then, Ontario appeared to be moving steadily in the direction of increasing municipal responsibility for the provision of low income housing by providing strong municipal housing agencies to undertake the work. The position was expressed very clearly in 1963 correspondence between the Ontario and federal Ministers responsible for housing at that time.

In 1964, the National Housing Act was amended to reflect the shifting CMHC opinion on the matter of municipal authority and to respond to a strong Ontario pressure in that regard; the amendments were intended to strengthen local participation in low rental housing planning. Ontario, with a change in Minister, suddenly reversed its position; Ontario municipalities were not to be permitted to take advantage of the new legislation.[29]

> The Government of Ontario (does) not wish to see an ad hoc situation develop with some municipalities constructing their own rental housing on a direct federal-municipal basis and others requiring provincial participation . . . If advantage (is) to be taken of the new provisions of the National Housing Act, this (will) likely be on a direct federal-provincial basis.

Ontario then proceeded to establish its own provincial housing corporation and built up its staff and programs. In Ontario, which had over 55 per cent of the units built under section 40 in the 1950 to 1964 period, the federal role became that of banker. In the next four years, those provinces that would eventually do so concentrated on developing provincial housing agencies and assuming a much greater proportion of authority. What the Corporation had fought so hard to achieve in 1949 was beginning to occur in 1964, at precisely the time the Corporation was once again becoming interested in seeing an active municipal involvement in the development of public housing.

The Basic Models

Ontario Although Ontario has a long history in housing — dating back to 1913 when the Housing Accommodation Act was passed — it was not until after the Second World War that provincial commitments to provide low income housing went far beyond legislative enactment.

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[28] Ontario Legislative Assembly, *Debates*, February 13, 1962, Mr. Robarts, p. 579.
[29] *Letter*, Provincial Minister to Federal Minister, May 19, 1964.

In 1943, the housing plank of the Progressive Conservative platform stated:[30]

> An Ontario Housing Commission will be created to plan a great housing program throughout the whole province . . . creating employment in the period of adjustment and, at the same time, bringing to an end, the unsatisfactory housing conditions . . .

Like too many campaign promises, however, the notion of a housing commission was largely forgotten for the next twenty years.

In 1946, the Planning and Development Act was passed establishing the Planning and Development Department which included housing in its portfolio. The act made it easier for municipalities to effect housing improvement and urban renewal by means of planning and zoning policies. The Housing Development Act of 1948 reinforced the housing emphasis in the 1946 Act, and empowered the province to enter the second mortgage market and to initiate a program of assistance to municipalities engaged in redevelopment and housing.

Within a very short period of time (and prior to the abrupt 1949 change in the role of the federal government) Ontario had passed the legislation and developed the administrative machinery needed to ensure a dominant provincial position in the delivery of low income housing.

Following the introduction of the 1949 amendments to the National Housing Act, minor changes in provincial legislation enabled Ontario to initiate a program that was eventually to provide 6,100 units of public housing between 1950 and 1964 — a figure that represents more than half of the total for all of Canada during that period. In addition, about 8,000 residential building lots for ownerships units were developed during the period of the federal-provincial agreements, comprising about 80 per cent of the national total.

While Ontario was far and away the provincial leader in the provision of low income housing, it should be remembered that the total effort in low income housing produced only a very small percentage of the total housing units provided during that period in Ontario. For example, the 6,100 units of public housing represented less than 1 per cent of the total number of housing units produced in Ontario during the period.

The creation of OHC in 1964 marked the beginning of a real effort in the field of low income housing and put the province more firmly than ever in the position of intermediary between the federal and municipal governments. But this intermediary role was in no way a passive one. OHC quickly developed into a strong, sophisticated, and extremely aggressive agency that acted independently of municipalities, other provincial departments and agencies, and, wherever possible, CMHC. The provincial corporation saw its mandate as the immediate production of low income housing units. From the start, the em-

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[30] CCF had gained considerable popularity during the mid-1930's. An area of particular interest to the party was the provision of low income housing. It is interesting to note that the 1943 Progressive Conservative housing plank is almost identical to the 1937 CCF housing plank.

phasis was placed on unit starts and OHC's relations with municipalities, other departments, and CMHC were very much affected by its perception of its primary purpose.

Perhaps a result of the large number of CMHC personnel moving to the provincial agency, or the enthusiasm generated by setting up a new corporation, but OHC, so often a critic of CMHC, fell quickly into the same trap of strong centralization. While there is little doubt that the emphasis on efficiency that led to the development of a highly centralized structure has produced a considerable number of low income units, it has too often done so at the expense of municipal priorities, preferences, and development plans.

Although formally acting only on municipal initiative (as do all the provinces), OHC viewed the municipalities as obstructionists, engaging in unnecessary delays and objections to low income housing. In response, the province turned toward a negotiated proposal technique for public housing and developed independent provincial programs (e.g. HOME) that have left the municipality with only the traditional land use control responsibility of a zoning bylaw change, if needed, and/or an amendment to the municipal official plan. The province also turned away from section 40 in preference for section 43. This enabled OHC to dispense both with intensive federal participation in project planning and with the local housing authority technique for project management. Responsibility for both was placed firmly with OHC. In some areas, the provincial corporation has taken over existing local housing authorities, and in others it has simply instituted tight controls on their activity.

Insensitivity to local need — especially in areas outside Toronto that are served through periodic field forays of Head Office personnel — has been a major side effect of the highly centralized structure. Recent proposals to reorganize OHC have focused on this problem. Recommendations include the development of several regional offices not unlike the regional offices found in Central Mortgage and Housing Corporation, and the establishment of community relations officers to increase corporate sensitivity to the areas being served through its low income housing schemes. But the decentralization that has been proposed is marginal; the corporation still exhibits a centralized and rather insular bureaucratic structure.

A major problem affecting all the provincial housing agencies concerned with "putting housing on the ground" and concentrating on unit starts and immediate production, is the almost total neglect of comprehensive long term planning for housing. The emphasis on unit starts for low income housing has occurred without a full assessment of low income need. It has also occurred without regard for total housing need in the province and the relationship between low income housing need and that of the other income groups. Although the provinces have several tools in addition to loan dollars available to them to plan for and implement a comprehensive provincial housing policy, they have all failed to do so. Indeed, it would appear that many of the provinces have not even considered the possibility.

But even in the development and administration of low income housing policy, provincial housing agencies have tended to view housing in isolation

from other services, both hard and soft. As a result, even where a province has demonstrated some concern for altering priorities, it has been extremely difficult to bring the activities of the housing agency into line. Ontario, with its much longer history of an aggressive and independent provincial housing agency, provides perhaps the best example of this difficulty.

Some years ago, Ontario recognized the need to coordinate the activities of the Ontario Housing Corporation with other provincial departments and agencies. Housing was seen as a hard service and emphasis was placed on the need for coordination with other departments also concerned with the provision of hard services. A working committee of senior civil servants was established to begin the basic process of integrating the land use plans of the respective departments and agencies. Following the well-established, interdepartmental tradition of positional policy making, conflicts were settled according to departmental prestige. Ontario Housing Corporation, as a relative newcomer, carried little weight. Projects were rarely approved or dismissed on merit, or as a result of reference to already established provincial policy guidelines; there were no such guidelines. Time and again, projects that OHC brought before the committee were turned down as the result of land use conflicts with the plans of other departments.

The continued development of a strong provincial housing agency that believed its duty was to accomplish as large a number of unit starts as possible was becoming increasingly incompatible with a system that frustrated the unit starts without providing much rationale for decisions. The resulting organizational response was quite predictable: OHC simply stopped taking anything but minor projects before the committee and began to buy land, and often arrange servicing, before the project had been approved. The success of this process, in terms of unit starts, further encouraged OHC to operate unilaterally when dealing with the municipalities and CMHC as well.

A new attempt is now being made to reintegrate Ontario Housing activities with other departments, with the establishment of the Ontario Housing Advisory Committee. OHAC has drawn its membership from OHC permanent staff, representatives from other provincial departments, and representatives of the private development industry. The Committee's purpose is to advise the Minister on housing and development matters from a policy perspective. Curiously, the Board of Directors of OHC has been ignored in this regard. Instead of providing policy advice to the Minister, Board time is entirely consumed with making day to day operating decisions as the uppermost authority in an extremely centralized administration. The only formal link between the Board and the OHAC is the senior OHC staff member who, in sitting on both bodies, occupies a particularly powerful position of influence.

The existence of a highly skilled, extensive provincial housing corporation in a wealthy province has meant that Ontario has operated quite independent of CMHC. The source of the independence is informal, but it has left OHC strong enough to frequently present CMHC with a fait accompli in the development of low income housing. Indeed, the federal position in dealing with Ontario might well be characterized as CMHC holding its breath while walking on eggs.

Ontario preferences have played an important role in the development of Canadian low income housing. It was Ontario in 1949 that responded most strongly in favour of an increased provincial role in the provision of low income housing. It was Ontario that, in 1964, established the first housing corporation. It was the Ontario Housing Corporation that rapidly expanded into a major, powerful housing agency that competes favourably with the competence and technical know-how of CMHC. It is Ontario that has accounted for nearly half the total production of new dwelling units intended for low income recipients in Canada from 1946 through 1970. It was Ontario that initiated more than 85 per cent of CMHC authorizations involving existing housing. It was Ontario that between 1964 and 1970 initiated 38,240 of the 51,975 subsidized units produced under section 43. It was around the Ontario pivot that federal low income housing policy revolved until the mid-1960's. And even now, Ontario's interests are regarded as paramount, although the creation of the Quebec Housing Corporation and the interest in regional equity has shifted the Ontario focus somewhat.

From the time of the Hellyer Task Force on there has been considerable tension between CMHC and the Ontario Housing Corporation. Most of the difficulty concerns what Ontario considers to be unnecessarily cumbersome approval procedures and a growing Ontario conviction that CMHC is attempting to circumvent provincial jurisdiction either in dealing directly with municipalities or in conducting discussions with developers separate from OHC. CMHC, for its part, has come to view Ontario as unnecessarily difficult to deal with and hostile to the Corporation's attempts during the last few years to reconsider its role in the provision of low income housing. Although CMHC-OHC relations in the field are better than Head Office-OHC relations, they are still characterized by low levels of cooperation particularly in matters of information exchange. Head Office-OHC relations, however, have been particularly hostile. The build-up in provincial frustrations is clearly shown in the following excerpts from a letter from the Ontario Minister responsible for housing to the federal Minister responsible for housing, July 22, 1970:

> We lost a whole year's production during the Task Force era in which your predecessor, Honourable Mr. Hellyer, completely stopped housing in this province because he said we were not building the right kind of public housing for the needs of the people and they must have a front door and a back door, and no more high rise ghettos. He even went so far as to take a deal that we had passed through the Ontario Housing Corporation . . . and suggested that if (the developer) would cancel the deal with us and build it to his (Hellyer) specifications, (the developer) would get a lower mortgage rate and undoubtedly make the same profit. The first we knew of his meddling was that they had gone into the deal and we were then informed of the new master plan . . . When OHC accepts a project from a builder and it goes through our staff, our Board of Directors, our Treasury Board and Cabinet, and then is sent to Ottawa, we take a dim view of the federal authorities' actions that can only make the provincial authorities look like fools . . . Public housing projects that we have sent to Ottawa for approval this year have been delayed and delayed to a point where we are completely

frustrated and discouraged about ever getting a workable arrangement with Central Mortgage and Housing Corporation that makes sense and has any degree of continuity. Almost every year we get a new federal housing minister and every year OHC is the victim of a new trial and error approach to housing. The results to date have shown we go further and further behind and only succeed in increasing the cost of housing while these new ideas are tried on for size . . . We also find that, while CMHC would not go along with recreational facilities that OHC has always recommended in the past, there is a complete reversal now since the Task Force Report (Hellyer) and again under your ministry, so that now there is almost a panic approach for recreational facilities on the part of the federal authorities. We are continually told . . . that we should get busy and give people the kind of recreational facilities they need and OHC has to shoulder the blame for not pursuing a program CMHC would not accept on our urging in the past.

It's no secret today and over the last few years that mortgage funds are not available from CMHC or, if they are, they are turned on and off like a tap. As a consequence we have thrown up our hands in trying to get a mortgage program set up with Honourable Mr. Benson, as you well know, and have set up the Housing Corporation Limited. We are now providing our own mortgage funds at 9½ per cent to anybody that will build single family or condominium . . . The stop and go financing policies of the federal government on housing now, and in the past, have been and still seem to be a chaotic and economic nightmare. If it is not the intention of the federal government to encourage the provinces to go all out on a major housing program as recommended by the Economic Council of Canada and many other organizations, then they should say so and let's stop shovelling fog in regard to housing.

. . . Your government is now offering a $200,000,000 "innovative fund" . . . This "innovative fund" means offering lower interest rates direct to builders and not to the provinces . . . This is surely not "innovation" in finding a better way to build houses, but simply a cut price approach by the federal government not extended to their provincial partners, so called; or what we term "the super salesmen from Head Office with a better price".

. . . We were held up by Hellyer for almost a year and never excavated any holes so consequently no starts. Now we find the same annoying delays taking place through a lot of picayune nonsense we continue to get from either the local office of CMHC or the Head Office by way of phone calls, letters or wires asking for more and more information. We feel this is just plain damn nonsense or a delaying tactic to prevent us getting ahead with the housing projects for which we have committed ourselves and these are no different from the housing projects your government has approved in the past . . . The builders have every right to anticipate, if approved by OHC, that these projects should not be rejected month after month. If OHC pulls any boners we are quite prepared to pay the piper. It is obvious I have no way of combating these insidious delaying tactics . . . It has been my task since 1963 to work with five federal housing ministers and with each minister we in Ontario wind up being the guinea pigs for every scheme each has endeavoured to impose on this province because we were the willing experiment in the first instance on housing low income people . . .

> If it is not a new federal housing plan, then a succession of federal finance ministers have used the funds for housing as a stop-gap measure to try and balance the federal budget . . .
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> Federal participation in housing was fine when the provinces had no plans or organization to carry them out. The Ontario Housing Corporation was formed at the request I might say of the federal authorities to reduce paper work and red tape. Apparently it is not accepted as a housing authority by Ottawa, despite the fact that we are quite capable of housing our people quickly and efficiently . . . The federal government have always insisted when the going got rough that they were just the banker and it is up to the provinces to provide housing.
>
> We in Ontario have accepted this philosophy and ask only that your government state quite clearly from year to year or over a three year period what funds they are prepared to lend us for public housing, senior citizens and students' housing.
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> We believe that OHC has all the expertise and experience in housing, to approve a project; perhaps even more so than CMHC . . . Costs continue to soar and prices go up and I would suggest, as you have done in Quebec, that you allocate OHC a sum of money for public housing, senior citizens and student housing and then we will live within those limits and be guided accordingly. At least we will have some measure of control and direction on these matters in Ontario. Certainly we cannot continue to operate under the present method . . .

Effective April 26, 1971, the approval procedure under section 43 that had caused so much difficulty between the two corporations was streamlined. In the past, the Ontario Housing Corporation had made its applications for the construction of section 43 projects to the CMHC branch office. The application had first to be approved by the branch manager and then sent to Ottawa for approval by CMHC Head Office staff. The change in the approval procedure gives the branch manager the authority to approve projects that are routine and contain less than fifty units. For projects that are between fifty and two hundred units, the application is sent to CMHC Head Office in Ottawa for approval within a limited time. Non-routine applications are similarly forwarded to Head Office and receive a more careful examination.

Certainly, streamlining the procedures is a measure of response to the Ontario complaint that OHC was perfectly capable of determining the admissibility of applications, yet its actions and judgment were being reviewed in detail by CMHC. It was still considerably less than the broad delegation of authority to Quebec under the Master Agreement. It is also a delegation that has not been extended to other provinces. While approval procedures for section 43 were reviewed prior to the change, the implications for the public housing program in general or for the other social housing programs were not examined. It was a minimum response to a specific application of pressure from Ontario.

QUEBEC The Quebec Housing Corporation — established in 1967 — grew out of provincial studies on housing. Scattered housing studies, undertaken prior to 1965, had shown that Quebec's housing problem was not restricted to Montreal; difficulties in providing and maintaining adequate low

income housing stock were evident in municipalities of all sizes across the province. By April, 1964, provincial concern about low income housing had grown sufficiently to result in the creation of an interministerial study committee on housing. The committee was composed of representatives of all the provincial governmental agencies concerned with this field, including the Department of Municipal Affairs and the Department of Family and Social Welfare.

The committee's report, submitted a year later on April 21, 1965, noted that:[31]

> The various Acts of Quebec in the field of housing appear to have been conceived in a fragmentary fashion . . . (and without) any coordination with the other Acts already existing in this field . . . Quebec does not have either a central agency which could counsel and guide the municipal corporations or the private corporations wishing to avail themselves of the National Housing Act to undertake an urban renewal project or a low cost housing project.

The report went on to suggest that the province establish a strong housing corporation that would act on behalf of the municipalities in dealing directly with the federal government. An important undercurrent in the committee's recommendations was the growing conviction that Quebec should assert itself in dealing with the federal government and regain areas of authority in the social services that it had given up in the past.

> In the field of provincial jurisdiction, where collectively we have through our negligence favoured the presence of the federal government, it is essential that we retrieve our jurisdiction and that we exercise this completely not only because it is really a social field where we can normally have requirements that other provinces would not have . . . I asserted that we were well disposed to cooperate with the federal government in the field of housing but that we felt option formulas should be finally utilized so that we can withdraw from this joint plan and obtain an equivalent physical competition which at that time would have given us complete jurisdiction in the field of housing in the Province of Quebec.[32]

The debates surrounding the creation of the Quebec Housing Corporation set out firmly the two main themes upon which Quebec activity in the provision of low income housing would be based:

(1) that the province become increasingly independent of federal control in making decisions regarding the provision of low income housing; and

(2) that low income housing be clearly viewed as an instrument of social policy (as opposed to the dominant federal view that housing should be treated as an economic lever).

The Quebec Housing Corporation was finally brought into being on June 29, 1967, by the Union Nationale government in Quebec. Although the

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[31] *Rapport*, Interministerial Study Committee on Housing, April 21, 1965, pp. 6-7.
[32] Legislative Assembly of Quebec, *Debates*, 1965, Mr. Laporte, page 4,432 (translation).

interministerial committee of 1964-1965 was the product of the previous Liberal government, the basic themes of Quebec autonomy and housing as social policy were maintained and continued by the UN government. The Act establishing QHC, however, provided for a far more restricted sphere of operations than had been envisioned by the preceding Quebec government.

Under the present Act, QHC formally assumes the role of supervisor and approval agent for proposals submitted from municipalities, and the role of banker in providing financial assistance to municipalities for low income housing. Technically, QHC abides by municipal site and design preferences and will not directly intervene to provide low income housing without municipal initiative to obtain such housing. In practice, the system works quite well in Quebec and Montreal, where sophisticated planning staffs can undertake the work without provincial assistance. In the smaller, less affluent municipalities, considerable use is made of provincial expertise to determine housing need, select a site, and plan the project layout. In such cases, provincial preferences play an important direct role in housing produced.

Even in the larger centres, however, municipal authority continues to be limited to planning and seeking provincial approval for one project at a time — much as the other provinces do when dealing with the federal government. The province thus retains a project by project veto control over the municipalities. After the establishment of QHC, Montreal had requested that the province commit block funds annually to the municipality. The municipality in turn would provide the necessary definition of the low income housing programs needed in the area, and would proceed to implement them. While the province refused to delegate such *blanket* authority to the municipal level, it did proceed to establish the joint provincial-municipal mechanism for planning, site selection, project design, and so on, that is now in effect. An interesting element in the procedure is the condition that the municipality must approve the project plans before they are referred to the province for approval.

QHC itself, however, is organized on a highly centralized basis. In all areas except Montreal, all decisions must be referred to the head office in Quebec City. QHC has only one regional office, located in Montreal. The regional office's authority is extremely limited; it deals mainly with relatively minor technical and administrative matters. The responsibility for program development and project approval continues to remain with Quebec.

The 1965-66 debates on the establishment of the Quebec Housing Corporation suggest that the government recognized the need for integrating low income housing policy into an overall social policy. An important characteristic of the proposed Quebec Housing Corporation was to have been its strong interest in research. This research was intended to be the basis on which housing policy would be developed. The proposed QHC was also meant to have broad powers to coordinate the activities of several other provincial departments and agencies that affected (or were affected by) low income housing programs. But the government that finally established QHC did not share this interest in integrating policy development. Now a further change in the government appears to have brought with it a renewed concern for integrated provincial policy

development. To date, however, that apparent interest has not been translated into a clear definition of housing goals or coordination of the activities of the various provincial agencies whose work affects housing.

Relations between CMHC and the Quebec Housing Corporation are closely tied to the overall pattern of federal-provincial relations. Quebec has translated its insistence on provincial action independent of federal control into a series of agreements between Central Mortgage and Housing Corporation and the Quebec Housing Corporation on matters of housing policy in Quebec. The first agreement was signed in 1968, one year after the founding of the Quebec Housing Corporation. That first agreement set the tone for the formal CMHC-QHC relations by sharply limiting CMHC discretion in the area of loan approvals.[33]

> It is agreed between the parties that the declaration of eligibility is for the sole purpose of recognizing that the project is eligible for a loan under the National Housing Act and determining the amount of such loan; the Quebec Corporation has the exclusive responsibility of assessing the need for the project, of accepting the site, the number and size of units, of approving the planning, the architecture, the plans, the specifications, of determining the norms and conditions of occupancy and the Corporation agrees that a declaration of eligibility shall not be refused nor withheld for any consideration related to these or other matters of the same nature.

The day before the agreement was signed officially, CMHC expressed concern that this most significant clause had been belatedly added to the agreement by Quebec and that CMHC had been unable to examine the implications of the section carefully.[34]

> I know you will understand that we have not had the full opportunity to assess the implications of this clause, and although I am authorized to sign the three agreements in question with the clause inserted, I would like you to understand that the insertion of the clause in the agreements relating to the 1968-1969 fiscal year is not to be construed as a precedent for agreements in future years.

The 1968 agreements were signed with the clause inserted. The subsequent agreements have repeated the clause, which has indeed come to act as a precedent for CMHC-QHC agreements. The 1971 agreement was considerably delayed before signing. The difficulty appears to have been a CMHC Head Office opinion that the clause in fact contravenes the definition of CMHC responsibilities outlined in the National Housing Act. Presumably, the issue was to have been raised in negotiations with QHC; inexplicably, it appears not to have been discussed. The 1971 agreement was signed, several months later, with the contentious clause intact.

Interestingly, the CMHC disagreement with Quebec broke down along Head Office-regional office lines, the latter being sympathetic to the Quebec position. In addition to viewing itself as an advocate for the region, the Quebec regional office had been closely involved in the development of QHC. Following

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[33] CMHC-QHC agreement, May 17, 1968, section 1(5).

[34] *Letter*, CMHC President to QHC President, May 16, 1968. The reasons for haste are unclear. They may have related to the imminence of a federal election.

the signing of the first agreement, the Corporation delegated its responsibility for administering the agreement to the Quebec regional office. It was felt that this delegation of responsibility was necessary if discussions between CMHC and QHC were to proceed with as few administrative obstacles as possible. Prior to the signing of the agreement, only one federal-provincial public housing project had been built in Quebec, and that was done several years before. The long hiatus in public housing activity meant that the relative success of initial negotiations between the two Corporations would be extremely important in encouraging further Quebec activity in the area and the regional office would be better able to respond to provincial needs than Head Office.

In addition to delegating responsibility to the regional office, CMHC further agreed to provide QHC with a series of auxiliary services. These included appraisal, architecture, and inspection, and were rendered on behalf of QHC by people who nevertheless remained within CMHC employ. Technical expertise in other areas (equally important if QHC was going to build a technical capability while it was undertaking a significantly expanded public housing program) was lent to QHC through a system of seconding CMHC personnel to the Quebec Housing Corporation offices for a stated period of time. CMHC, and particularly the area offices, were thus closely involved in the development of the Quebec Housing Corporation. While the services have now been discontinued in light of the development and expansion of QHC, it is not at all surprising that the sympathies of the regional office have tended to lie with the province it served.

While at first glance the Master Agreement appears to be a major breakthrough in a delegation of authority from the federal to the provincial levels, on closer analysis it is clear that it is not. The Agreement does not include direct lending (an activity that has provided significant underwriting for suburban development since World War II) or section 15 entrepreneur (a program that frequently competes with public housing). In other words, it is simply a somewhat more comprehensive arrangement for public housing; it has not resulted from a thorough review of housing policy generally, or social housing policy in particular. A major failing of the agreement is the lack of program guidelines and national objectives to which the provincial program must respond. The 1971 CMHC concern over control was a concern directed toward individual project approval, not one directed toward control of the broad program thrust. As with the change in section 43 approval procedures in Ontario, the Master Agreement was a federal response to a specific provincial pressure.

BRITISH COLUMBIA The British Columbia Housing Management Commission (BCHMC) is the organization primarily responsible for the delivery of low income housing in British Columbia. Established in 1967, the Commission is formally charged with the responsibility for managing public housing in the province. In actual practice, however, this has meant that the Commission is charged with the responsibility for managing public housing in Vancouver, as only a very small proportion of public housing built in the province has been built outside the City.

British Columbia builds public housing exclusively under section 40 of the National Housing Act. Prior to the establishment of the British Columbia Housing Management Commission, public housing in Vancouver (as elsewhere in the province) was handled in the traditional fashion by a local housing authority. The Vancouver Housing Authority, like all housing authorities, was composed of political appointees not necessarily conversant with the problems of delivering and managing low income housing. In the province's opinion, it was inappropriate to charge these people with the responsibility for administering such valuable assets. At the same time, the province began to consider the possibility of establishing some sort of provincial organization to administer its public housing program. Several alternatives presented themselves: a series of relatively independent local housing authorities located in each municipality where a public housing project was built; an Ontario Housing Corporation type of organization to parallel the operations of Central Mortgage and Housing Corporation; and the British Columbia Housing Management Commission.

Composed of two representatives of the provincial government, two CMHC representatives (from the regional office), and one representative from the municipality in which the public housing is located, the Commission was specifically designed to:

(1) facilitate the greatest possible use of existing CMHC expertise, rather than develop a provincial organization that would be in competition with CMHC; and

(2) insure that those who served on the Commission would be expert in housing matters as well as being in positions of authority with regard to approval of projects.

Formally, the Commission is only responsible for managing existing public housing. Informally, proposals for new projects or discussions of public housing needs in particular municipalities will very often be brought before Commission members for their consideration. The province is strongly in favour of this informal use of the Commission as a tri-level forum on housing policy, and continues to stress the importance of federal-provincial cooperation in low income housing policy development.

Although the City of Vancouver has an almost permanent representative on the Commission (by virtue of the fact that the majority of public housing is built within Vancouver), the municipal role in policy development is still quite secondary to that played by the federal and provincial representatives. First and foremost is the fact that the municipality has only one representative while the senior levels have two apiece. Secondly, because the municipal representative changes, there is no ongoing municipal voice in the Commission's informal policy development activities. The continuity previously provided by the Vancouver representative will begin to break down as public housing is built in other municipalities and the municipal representative changes.

British Columbia makes little pretense of having a social housing policy that is integrated with the activities of various provincial departments and agencies. Indeed, the government prides itself on having a "policy of the day", i.e. remaining very flexible to meet new problems as they arise. The tendency

to rely on federal initiatives and expertise in the provision of housing has obscured the need for careful provincial planning. As a result, decisions regarding low income housing tend to be based on very limited criteria (housing need is considered as a problem of shelter only) and to limit narrowly the implications considered (in rental housing the focus is on maintaining the project after it is built, and in purchase housing it is on the administration involved in disposing of the units).

In British Columbia, the operations of CMHC and the province are highly integrated and complementary. Participation of regional personnel on the BCHMC has resulted in a close working relationship in policy formulation. The structure of BCHMC reflects a provincial desire to work with the federal government wherever possible. Although British Columbia could well afford to build its public housing under section 43 (and thereby avoid many of the difficulties that develop when dealing with Head Office, as well as have the benefit of ownership of the project), the province has steadfastly maintained that public housing is a joint federal-provincial responsibility.

The cooperative atmosphere, however, does not extend to Head Office. The delays inherent in processing section 40 approvals strain provincial confidence in federal abilities. British Columbia, too, has had its share of public housing fiascos: building materials and designs that are inappropriate, area office tentative approvals that are overruled, Head Office intrusions into what are minor details of construction, specifications that result in purchase of defective or "end of the line" equipment that cannot be repaired. Such difficulties, coupled with a system that fails to provide authority to the field offices with whom the province deals directly, lead to provincial demands for a decentralized CMHC.

Although British Columbia is concerned with maintaining a position of dominance in developing low income housing policy within its borders, there has been little suggestion to date that the best way to do so is through unconditional grants from the federal government to the province. Good working relationships that have resulted in a joint housing commission and CMHC area offices that are prepared to act as the province's advocate when dealing with Head Office have obviated the need for a militant posture in favour of unconditional grants. As long as the housing program results agree with the general thrust of provincial priorities, British Columbia appears to be disinterested in assuming a more visible, unilateral (and, consequently, a more politically vulnerable) position in policy development.

Ontario, Quebec, and British Columbia are the three basic provincial models. Both Ontario and Quebec have strong, highly centralized housing agencies and both operate with a relatively high degree of independence — Quebec formally and Ontario informally. The major difference between the two is in provincial-municipal relations. Where Ontario has acted to downplay the municipal role and discourage municipal interest in housing, Quebec — albeit somewhat belatedly — appears to be moving in the direction of building municipal expertise and encouraging local interest in housing.

The British Columbia model contrasts quite sharply with the others.

Emphasis is on close federal-provincial cooperation with long term reliance on federal expertise (rather than Quebec's short term reliance to build up its provincial corporation), and direct federal-municipal contact. The ways in which the other provinces have organized to deliver low income housing have been variations on one of the three models.

Alternative Variations

Saskatchewan follows closely on the B.C. model. Housing policy in the province is developed by a Housing Review Committee that includes the two CMHC branch managers as sitting members. Housing administration and management is the responsibility of the Director of Housing, responsible to the Minister of Municipal Affairs. The province has been extremely passive in housing matters, relying heavily on CMHC and the results of direct federal-municipal negotiations. Although the Saskatchewan Housing and Urban Development Corporation has existed on paper since 1968, there are few signs that the province will put it into operation, substituting a provincial corporation for the joint federal-provincial structure that now exists.

Manitoba, like Quebec, built almost no public housing until the close of the 1960's. The Manitoba Housing and Renewal Corporation was not established until 1967; from then until March, 1970 it had a staff of three. Manitoba municipalities were discouraged from dealing with the federal level directly and developed no particular housing expertise. The 1969 change in government brought with it a deep concern for low income housing that was translated into a sudden and rapid expansion in the public housing program.[35] The emphasis on immediate unit starts left little time to worry about developing municipal housing expertise or a strong municipal role in housing planning. It is still too early to determine if the province will move toward the Ontario model with a dominant provincial agency, or attempt to decentralize and delegate housing responsibility downward to the local level.

Although the first members of the Nova Scotia Housing Commission were appointed in 1934, the Commission's activities amounted to little more than official support for the cooperative housing work undertaken by St. Francis Xavier University. The province maintained a low profile in public housing negotiations and continued instead to encourage direct federal-municipal planning. A 1970 change of government appears to have brought with it a new interest in provincially developed low income housing programs. Reorganization and staffing plans suggest that the Commission's role will increase. The extent of future municipal participation is uncertain; the province has established a royal commission to investigate a number of municipal government aspects that may have a bearing on the municipal role in housing. At present, the provincial corporation is dominant outside of Halifax, but that city continues to participate in housing programs under section 40.

The Alberta Housing Corporation was established in 1967, largely to

[35] From 1950 to 1970, Manitoba built 568 units of section 40 public housing and 940 units of section 43 public housing — 76 in 1969 and the remaining 864 in 1970.

take advantage of urban renewal legislation. Alberta, too, had emphasized a dominant municipal role with the province only acting as a formal approval authority. Edmonton and Calgary responded by developing strong local housing agencies and exercising their independence in dealing with the federal government to build public housing. Within the last few years, however, Alberta has moved steadily toward the Ontario model. The Alberta Housing Corporation has expanded considerably in size, demanding a fuller exercise of provincial authority vis-à-vis the municipality. Reliance on CMHC expertise has dropped considerably as the province moves to establish itself firmly between the federal and municipal levels. Here, as in so many of the other provinces, provincial muscle-flexing has been steadily encouraged and promoted by CMHC field personnel.

The Municipal Role in Housing

The nature and level of municipal participation in low income housing program has been affected by a variety of factors, most of them limiting. Most visible have been the shifts in federal-provincial relations that de-emphasized municipal responsibility and focused on increasing provincial investment in low income housing. Provincial housing agencies were encouraged to develop, municipal authority reduced, and municipal interest in providing low income housing deliberately dulled.

The Impact of Program Requirements

To ensure the growth of a provincial buffer between the federal banker and its municipal clients, program requirements were altered. The 1949 legislation insisted on a federal-*provincial* partnership to build public housing under section 40. Because the section provides for a 75 per cent-25 per cent provincial split on costs, it has been more popular with poorer provinces than the lending arrangements under section 43. The 25 per cent provincial share under section 40, however, is rarely paid in full by the province; a percentage of the cost is normally levied against the municipality in which the housing is to be located.

The municipality exercises relatively little control over the housing. Although the municipality must initiate the request and is normally charged with site selection (usually the land is municipally owned and is sold to the partnership), control ends there. Project design, layout, materials, density, facilities, and fit into the neighbourhood are considered to be either Head Office CMHC responsibilities, partnership responsibilities, or not considered at all.

Section 43 public housing is more favourable to municipal participation in project planning, since CMHC considers project planning as the responsibility of the borrower (either the munincipality or the province). The financing provisions, however, make it extremely difficult for a municipality to proceed without provincial participation. Section 43 is a loan arrangement, requiring 10 per cent equity and a loan of 90 per cent, with operating losses only shared on a 50 per cent-50 per cent basis rather than the 75 per cent-25 per cent of

section 40. Predictably, the need for provincial financial assistance has led several provinces to question the value of maintaining municipal control. Instead, they have transferred authority to the provincial housing agencies.

Another area in which municipalities traditionally played a major role — even after the 1949 changes in public housing — was in non-profit housing. Section 15 non-profit housing made loans available to municipalities, service clubs, etc., for 90 per cent of the cost of project construction. The program became a popular way for municipalities to provide housing at cost for needy members of the community, notably the elderly. While the program provided more attractive financing for project construction, section 15 housing was not eligible for any federal operating subsidies.

Without the subsidies, the rents were higher than in comparable public housing projects (also serving the elderly) which were eligible for federal operating subsidies. Pressure began to build to equalize rental costs between the two types of publicly-owned housing. With maintenance costs increasing as more units were built and existing units grew older, municipalities turned to the provinces for financial assistance. Not surprisingly, the provinces resisted transfers they could not collect, in whole or in part, from the federal level. The provinces began to press for public housing as the preferred alternative. Without substantial assistance, the municipalities could not afford to continue to build under section 15. Municipal interest in directly providing low cost housing dropped considerably.

Limited Municipal Revenue Sources

An extremely important element in effective municipal participation in low income housing programs, then, is the financing arrangements in the program and their relationship to municipal revenue sources. At present, the two basic sources of revenue are provincial grants and the property tax.

Provincial grants are rarely unconditional. The majority are tied quite tightly to specific programs or actions by municipalities. There are two reasons for this:

(1) Conditional grants ensure that the province can control the expenditure of funds it transfers to the municipality to make certain that the provincial priorities in the area are met.

(2) There is a continuing provincial conviction that municipalities, as provincial creations, should not be set free to determine their own priorities. While the provinces are quick to call for increased local (read: provincial) authority to determine that will be done when, they turn deaf ears to similar calls from municipalities.

The continued use of conditional grants means that municipalities are left with very little leeway to determine what is needed in the local area and act to satisfy the need. If meeting the need is not a high provincial priority (and meeting the needs of urban centres in the area of social services has not been high on the list of rurally-dominated provincial legislatures) and consequently has little funding, the municipality must cover the costs of meeting such a need through its other revenue source: the property tax.

The property tax has been repeatedly cited as highly regressive and unsuitable as a source of funding for urban programs. Its regressivity hits hardest at those with low and/or fixed incomes and is inevitably passed directly on to tenants in rent. The trend toward market value assessment will further aggravate the problem. Assessments in older centre-city neighbourhoods — notwithstanding the fact that the residential structures may be of a low income character — will be hardest hit by market value assessment[36] as a result of increases in the land value component.

Though strongly challenged by recent studies,[37] conventional wisdom had long held that the higher the assessed value of the property (both land and buildings), the more tax revenue was contributed at less cost, producing an absolute revenue gain for the municipality. In residential development or redevelopment, then, there was everything to be gained in building as close to luxury accommodation as the market would bear. The municipal concern for stabilizing costs (especially in "soft" or "people-oriented" services) and keeping the mill rate down resulted in a municipal reluctance to participate in increased low income housing activity.

In a 1971 study undertaken for CMHC, T. J. Plunkett has pointed out the extent of the fiscal squeeze exerted on local governments. More than 50 per cent of revenues go to education costs (over which they have no control) and capital debt. In most Canadian cities, the level of annual expenditure on education rose by 15-20 per cent per year. In some of them, recreation and community services and welfare expenditures increased even more rapidly. The pressure of population growth and demand for increased urban services is straining municipal revenues. The following tables from the Plunkett study depict the effects of those pressures.

Faced with growth in expenditures of that magnitude and left to rely on the property tax as the only means to raise revenues, municipalities will continue to feel constrained to exclude buildings of lower value to protect their tax bases. When one realizes that all taxes are paid for out of income, that the value of the dwelling inhabited is only a very rough indication of relative ability to pay, that the regressive nature of the property tax (a consumption tax with a rate on the order of twenty to twenty-five per cent) is well recognized, and that *all that is required to replace it is a modification of institutional arrangements for revenue sharing,* one can only wonder at its continuing preeminent position.

Even where municipalities want to participate in housing programs for the low income, the limited nature of municipal revenues demands financial participation by the province either directly (in aiding housing subsidies) or indirectly (in increasing provincial assistance for soft services and infrastructure). Still, municipalities interested in developing and administering special programs to meet the particular needs of their areas continue to be hindered by the lack of unconditional funds.

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[36] See *Market Value Assessments: A Study of the Theory, the Practice, and the Results* (Toronto: Bureau of Municipal Research, Summer, 1970).

[37] For example, the recent analysis on the costs and benefits of apartment development in the Borough of York undertaken by Price-Waterhouse Associates, 1971.

Table 1

AVERAGE ANNUAL RATES OF GROWTH FOR SELECTED MUNICIPAL EXPENDITURES IN CANADA, CITIES BY SIZE — 1961-1969 (Per Cent)

	B.C. Cities 20-50,000 (3)	*Alberta Cities 20-50,000 (3)*	*Ontario Cities 50-100,000 (3)*	*Nova Scotia Cities (2)*	*Ontario Cities 200,000- (3)*
General Government	15.9	6.9	14.4	8.4	9.2
Protection to Persons and Property	13.9	1.6	14.3	3.1	8.5
Public Works	11.2	7.1	18.9	1.2	8.8
Sanitation and Waste Removal	17.6	11.1	12.0	16.3	9.8
Health	4.8	—6.3	4.1	—4.5	10.0
Welfare	20.6	9.0	10.2	28.6	—6.7
Recreation and Community Services	11.8	19.0	23.4	4.6	9.0
Debt Charges	3.6	14.3	11.4	8.3	5.6
Total Municipal Exp.(1)	14.8	14.3	13.2	8.7	9.1
Education	26.7	15.9	19.9	7.2	15.7
Total Municipal Exp.(2)	17.5	14.3	15.3	8.2	10.5

(1) Excluding education.
(2) Including education.

SOURCE: T. J. Plunkett, *The Financial Structure and the Decision-Making Process of Canadian Municipal Government*, CMHC, 1971, unpublished ms, p. 83.

Table 2

AVERAGE ANNUAL RATES OF GROWTH FOR SELECTED MUNICIPAL EXPENDITURES IN CANADA, CITIES BY SIZE — 1961-1969 (Per Cent)

Population (1969)	*Victoria* *61,188*	*Vancouver* *416,000*	*Edmonton* *402,000*	*Saskatoon* *127,000*	*Hamilton* *291,707*	*Halifax* *90,000*
General Government	14.4	7.4	5.7	14.2	11.0	4.8
Protection to Persons and Property	11.3	7.3	16.0	15.3	7.5	9.1
Public Works	8.1	2.1	12.1	8.4	38.0	0.4
Sanitation and Waste Removal	6.9	11.6	11.4	1.8	8.6	8.6
Health	7.2	4.2	—	10.7	—5.7	0.3
Welfare	18.9	14.9	1.1	1.8	12.9	70.3
Recreation and Community Services	11.2	9.1	30.4	28.1	23.6	22.4
Debt Charges	3.4	—0.3	9.3	18.1	2.1	7.8
Total Municipal Exp.(1)	11.8	11.2	14.2	15.1	7.6	9.4
Education	19.5	18.4	19.9	15.4	16.6	8.4
Total Municipal Exp.(2)		12.8	15.9	15.3	10.4	9.1

(1) Excluding education.
(2) Including education.

SOURCE: T. J. Plunkett, *The Financial Structure and the Decision-Making Process of Canadian Municipal Government*, CMHC, 1971, unpublished ms, p. 48.

Municipal participation in low income housing programs, then, has been depressed as the result of the structure of municipal revenue sources.

Housing and Local Government Structure

In addition to the variety of external factors that influence municipal enthusiasm and ability in low income housing — program requirements, development of provincial housing agencies, availability of revenue — there are a number of internal factors. These are the structure-related elements that affect the likelihood of municipal responsiveness to the needs of the low income and the ability of local government to implement the needed programs.

It is generally agreed that municipal organizations and structures, suitable 100 years ago to deal with small, homogeneous populations, are no longer adequate to meet the needs of larger, highly diverse, rapidly growing urban centres. A number of local government reorganizations have taken place across the country. But they have been, at best, partial solutions to the problems of urban local structures; their focus has been almost entirely on implementation problems rather than the problems relating to responsiveness and policy development.

The reorganizations fall into two basic categories: establishment of special purpose regional planning agencies or establishment of multi-purpose regional governments. The provincial focus has been primarily on increasing administrative efficiency and effecting economies of scale. "Rationalizing municipal jurisdictions" has come to mean amalgamation or annexation of existing units to increase their size and decrease their number (13 municipalities reduced to 6 in Metropolitan Toronto; Edmonton and Calgary operating with continued annexations; St. John and the proposals for Moncton and Fredericton that emphasize amalgamation; proposals for the reduction in the number of area municipalities in the Montreal Urban Community). In those areas where regional planning boards have been used instead of, or in tandem with, multi-purpose regional governments, the emphasis has also been on drawing together several municipal planning jurisdictions to participate in a single super-municipal planning board.

Regionalization of local government has its roots in concerns that urban centres generate considerable growth in fringe land over which they have no control. Too often the result is unplanned urban sprawl. Regional planning agencies and regional governments are expected to plan, develop, and service urban centred areas in a more efficient and coordinated fashion. Their concerns are with the overall issues regarding urban growth; they are designed to respond to major shifts and thrusts of aggregate needs, not the particular needs of particular groups and areas.

And the regional governments, regional districts, regional planning agencies, and so on, that have been established across the country have proven reasonably well-suited to deal with large scale urban development problems, to plan with broad brush strokes. Where most of the reorganizations break down is in their failure to attend to the problems of policy development and responsiveness to community needs. Demands to increase citizen participation

are demands for access to the decision-makers and the decision process to attempt to counteract the tendency to ignore the special needs of particular groups that inevitably results from the search for single answers to achieve "the greatest good for the greatest number."

Local government reorganizations, with Winnipeg as the notable exception, continue to ignore the demands. For example, the larger the geographical area covered by a single agency (planning board or regional government), the more diluted the voice of special groups. Diluting a group's voice can result in ignoring the problems created by its special needs and lack of development of or participation in programs suited to those needs. This is true of a variety of services for minority groups in general, and particularly true of services and programs directed toward the low income group, including housing.

The problems created by working with larger units (necessary for planning purposes) are frequently compounded rather than alleviated by the government's structure. Council size is one element. The use of small local councils came into vogue during the era of "scientific management of our cities" in the early 1900's. Emphasis during that period was on efficient administration and streamlined decision-making. The fewer people involved in the decision, the better. The small council was specifically designed to be inaccessible so its members could get on with the business of running the municipal corporation. Small, "workable" councils continue to be dominant in Canadian local government.

Complementing the small council is the at-large election where councillors are elected by the city as a whole to ensure a broad perspective in local decisions. Where ward elections have been used to decrease the elector/elected ratio somewhat, the wards have frequently been drawn to cut across community lines and provide as broad a cross-section of the city as possible in each ward.[38] Theoretically, this would prevent the councillor from identifying too closely with a particular constituency group. In fact, it provided a screen for high identification with middle class interests and a low incidence of responsiveness to the needs of the income group.

In several areas, the regional agency sits as an upper tier of government, not coterminous with the local municipality. Election to the upper tier is usually indirect: one sits on the upper tier by virtue of election to the local level. But elections are rarely fought on regional issues; candidates stand or fall on their performance at the local level. In two-tier systems, housing has frequently been placed at the upper level, thus reducing the emphasis on housing issues locally and decreasing still further the sensitivity to the housing needs of particular groups.

The continued use of special purpose agencies is a further obstacle to responsiveness. Special purpose agencies have developed and been used for a variety of reasons:

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[38] This was specifically done in the City of Toronto until the 1969 redistricting, and had been the basis of district boundaries in Winnipeg where upper tier districts deliberately cut across municipal boundaries until the 1972 reorganization.

(1) efficiency and expertise: again a throwback to the "scientific management" era, it was felt that service delivery would be far more efficient if the people responsible could specialize in a single area, rather than concerning themselves with a variety of functions (as occurs when one serves on a municipal council).

(2) removal from politics: here again is the notion that service delivery is apolitical, on the assumption, presumably, that a series of value-neutral decisions are made that do not distinguish the particular needs of particular groups resulting in an allocative process. The principle of apolitical decisions is often translated into appointment, rather than election, to serve on the agency.

(3) patronage: in apparent conflict with the idea of removing the decision from politics, appointments to serve on special purpose agencies (notably local housing authorities) have been used repeatedly to reward the politically faithful and ensure that those serving on the agency will be making decisions politically palatable to the appointing authority.

(4) citizen participation: in recent years, special purpose agencies have been suggested and used as mechanisms to increase citizen participation. The more corporations, commissions, committees, and boards, the larger the number of posts to be filled, thus the greater the number of people involved.

(5) intergovernmental relations: special purpose agencies are also often used as joint two or three-level units when the governments cannot or will not agree to delegate the authority to an existing agency.

Although used at all three levels of government, special purpose agencies are most common at the municipal level. In part, this results from the historical notion that municipalities are caretaker units involved primarily in the administration of provincially determined programs. Particularly common are special purpose agencies for housing and housing-related purposes: planning boards, utility commissions, housing companies and local housing authorities, transit commissions, school boards, and social service agencies.

The results of the proliferation of such agencies have been far from satisfactory in major urban centres. Special purpose agencies — precisely because they are designed to focus on a limited sphere of interests — contribute to a balkanization of municipal level authority. The majority of special purpose boards that directly influence housing and housing-related decisions operate with considerable independence from control by the municipal council[39] and control or coordination with each other.

When decision authority is divided among so many relatively independent agencies, the potential for developing comprehensive policy is severely atomized. Yet the decisions taken by the various agencies are all interrelated,

[39] Planning boards are less independent than others because their decisions normally must be ratified by the council (where the two boundaries are coterminous) or the council of the one "designated municipality" where more than one municipality is included in the area. Informally, however, planning board decisions carry considerable influence and are not often overturned.

each affecting the others. At the same time, the primary decision-makers in the majority of the agencies (school boards are a notable exception) have low public visibility and are not responsible to the public. The public rarely knows who the participants are and has no direct voice in their selection. In an area as politically charged as housing and development policy the atomization of authority has come to be viewed by citizen groups pressing for more comprehensive policy decisions as an almost deliberate attempt to create a non-responsive municipal environment.

Ironically, in the absence of a comprehensive reorganization of existing structures, efforts to facilitate community-responsive decision-making have often focused on the development of still more special purpose agencies. Particularly common is the use of various forms of advisory bodies to assist the decision-makers, whether elected or appointed.

While many provide useful inputs in the short term, they do not serve to correct the basic structural problem inhibiting the decision process. What begin as dynamic additions are still institutionalized and end by spreading the decision authority still thinner.

The ways in which municipalities are organized to plan and deliver low income family housing are the result of the political and organizational context — from the federal government, to the province, to the local administration — in which low income housing decisions must presently be made.

Edmonton and Calgary, as a result of the major role played by the municipalities in Alberta, have active and well-developed local housing agencies. Edmonton, concerned with the housing need in the city and favouring the use of public housing, established the Edmonton Community Housing Organization in 1969. To expedite a fast start in public housing, ECHO was temporarily placed directly under the Chief Commissioner. The original intention, however, was that community housing should be a specialized division of a line department. ECHO was thus subsequently placed in the Department of Property and Building Management, reporting to the Chief Commissioner through the Commissioner of Public Works. Placing housing in a line department has insulated housing decisions from the council. While this may permit the housing agency to act more quickly, it reduces the political responsiveness of the housing unit.

The existence of ECHO as a municipal unit devoted completely to "community housing" has given Edmonton a relatively strong municipal capability in the low income housing field. Until the recent upswing in Alberta Housing Corporation activity, ECHO planned and developed public housing directly with CMHC. ECHO has been moving toward more sophisticated methods to estimate housing need and developing both short and long range plans to meet the need.

ECHO acts as the coordinative centre for public housing decisions, maintaining close contact with both the Edmonton Housing Authority and the City Planning Department. The City would like to see the three municipal level agencies act in concert to plan, build, and maintain public housing. While the

local housing authority[40] has expressed considerable interest in doing so, the province has strongly discouraged such action, presumably because this would make a strong AHC presence in Edmonton superfluous.

Calgary operates with a Housing and Urban Renewal Department. Originally established as the Urban Renewal Department, its early housing function was only to plan for the public housing needed to replace units torn down during urban renewal.

Because the majority of public housing projects in Calgary have been built by proposal call, HURD has had a smaller role to play in planning and designing projects than has ECHO. Perhaps as a result, HURD has acted as less of a coordinating centre.

An additional limiting factor in a more major role for HURD, however, is the Calgary Housing Authority. Unlike Edmonton, the CHA is interested only in strict management questions and operates its projects with a minimum of attention to the tenants' social needs. In this regard, the CHA appears to be carrying out a role preferred by AHC. As a result, relations between CHA and AHC are excellent but those between AHC, CHA, and the City generally are not.

In contrast to Alberta, public housing activity is a recent phenomenon in Quebec. Although the Quebec municipalities lack a tradition of low income housing activity, the province has emphasized the need for strong municipal participation. To effect that participation, the municipality works through a Municipal Housing Bureau.

The housing bureau is a special purpose, non-profit corporation established through provincial charter at the request of the municipality. The housing bureau acts as the municipality's agent in housing matters.

Although the bureaus are legally quite separate from the municipality, their members (the board of the bureau is composed of five members) are often municipal employees specializing in housing or housing-related matters. The practice of cross-appointments brings the housing bureaus very close to municipal decision-making.

In the municipal corporation proper, the larger municipalities have general planning departments (or, as in Montreal, a specific housing department) that work with the housing bureau. A constraint on departmental effectiveness — and one that appears to prevail in virtually every municipality across the country — is the lack of coordinating authority to bring the activities of several departments into line. Neither the housing bureaus nor housing departments have succeeded in overcoming departmental independence.

Although the province has placed considerable formal authority with the municipalities in terms of planning and designing public housing, the municipalities do not have block areas of authority in which to act, without referral of decisions on individual projects to QHC. In smaller centres, where

[40] Local housing authorities were the structure decided upon to manage section 40 public housing. Members must be approved by all three levels of government and serve unpaid. See the section on public housing for a more complete description.

a considerable amount of the expertise continues to come from QHC, there may be more justification. In larger centres that have very sophisticated staffs on hand, there is little reason to continue the project by project review.

Although construction of low rental or subsidized housing is a function the regional Urban Communities in the major centres could undertake, they have not done so. Organization for housing purposes has continued to be at the local level.

Municipalities in the other provinces under study have not tended to develop special structures to enable the municipality to participate in low income housing programs; the majority operate through planning boards and development departments.

Halifax has placed responsibility for housing planning with the position of Social Planner. The City Social Planner has overall responsibility for planning and integrating the provision of a variety of social services, including housing. To date, however, there has been a close relationship between public housing and urban renewal, public housing being used as replacement housing for slums cleared. Responsibility for matters of area clearance and redevelopment continues to rest with the Development Department.

Secondary housing responsibility — in the form of land use approvals, zoning changes, etc. — rests with the City Planning Department. The Social Planner has tended to become active only in the area of public housing and then only after the project is built. The projected increase in Nova Scotia Housing Commission activity leaves the City's future development of a housing capability uncertain.

Metropolitan Toronto has the responsibility for housing planning in the area. Although there is a housing department, its activity has been quite limited. Given that Metro has the fiscal and manpower resources to organize a highly sophisticated municipal housing operation, its failure to do so reflects the trend — since 1963 — of increased provincial control and dominance in the housing field.

All new public housing at present is built and managed by OHC. Metro Toronto continues to manage some earlier projects, but is seeking to transfer them to OHC to reduce subsidy costs. Area municipalities are involved only to the extent of providing the necessary zoning changes, where needed.

The Metropolitan Toronto Planning Board is the agency responsible for negotiating with OHC in the planning for housing. With the exception of the recent attempt to estimate housing need in the next decade, little has been done to develop a housing policy for Metro.

Vancouver has no municipal housing department. What planning for housing is undertaken is done primarily by the planning department which emphasizes physical, land use considerations. Since the vast majority of Vancouver's low income housing was built as a result of urban renewal clearance activities, there has been no real attempt at housing planning in the City. Planning that has been undertaken has tended to be both short range and confined to one or two neighbourhoods affected by an urban renewal proposal.

Regina, like Vancouver, has no housing department. Planning for housing needs is undertaken by the City planning department.

Until the recent request from CMHC to all provinces for a five-year estimate of need and activity, there was no perceived reason to determine low income housing need. Low income housing was needed and the continued low level of activity was not likely to meet the need in the foreseeable future. As a result of the request for a five-year estimate, however, the City has undertaken to gauge the extent of the need for housing. The major part of the public housing planning and building effort in Saskatchewan continues to be the responsibility of CMHC.

Winnipeg, as well, does not have a specific municipal agency responsible for housing. Planning for housing is undertaken by the City planning department. The planning — as is the case in virtually every city — tends to focus on questions of site selection and piloting through Council the zoning changes necessary for public housing. The remainder of the housing function in Winnipeg is undertaken by the Manitoba Housing and Renewal Corporation.

This chapter has traced the development of the federal banking role, the reluctance of the federal government to control or compete with private market operations, and the refusal to set goals and plan comprehensively for housing. On constitutional grounds, the responsibility for housing policy and the implementation of housing programs have been pushed back to the provincial level. The provinces have accepted that responsibility, at first reluctantly, then hesitantly and now whole-heartedly. At the same time, the federal government has funded an expansion of the social housing program and is attempting to reassert its leadership in housing policy.

The provincial activity has taken place at the expense of the already minimal municipal role. Program requirements, financial difficulties and structural characteristics made municipal social housing activity difficult. The entry of provincial housing corporations into the field, with their superior resources and powers of control, has resulted in municipal abandonment of activity or will have that effect shortly.

While there has been willingness on the part of the federal government to increase the funding of social housing programs, that lending activity continues in a context of aggregate production goals and sanctity of unguided private market operations. No goals have been set for individual programs. Even the objectives implicit in some of them have not been met. Operating in that context of priority to private production, with limited funding or support, they have had little success, as can be seen in the chapters which follow.

Chapter 5

Public Housing

Canadian public housing has been described as:[1]

> . . . a minute segment of expensive housing, physically isolated and separately identified, put in place by a tedious complicated process of intergovernmental checks and balances and occupied by a deliberate concentration of those in social or economic difficulty. When it is realized that this intermittent trickle of social housing production is contrived quite outside the mainstream of the community's life and does not even belong to the cities it serves but is held on lease from a separate structure of senior government, the approach to the problem becomes suspect . . .

This chapter examines the development of public housing in Canada.

Developing a Public Housing Policy

There have been four key factors in the development of federal public housing policy: the residual role assigned to the program; intergovernmental relations; costs; and the attention paid to the quality of life in the projects.

THE PRINCIPLE OF NON-COMPETITION

The Liberal Government had been loath to enter the field of public housing in the late 1940's, and gave it a low priority during the 1950's. Throughout the decade, public housing limped along at an average rate of 834 units per year, less than .7 per cent of annual housing starts. In 1956, CMHC began to press the Government to expand the program. The Minister of the day replied:[2]

> It was the Government's view, which I have stated publicly on a number of occasions, that we would be justified in using public funds for housing only where private enterprise fails to meet the need.

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[1] *Good Housing for Canadians,* A study by the Ontario Association of Housing Authorities (Toronto: 1964), p. 119.

[2] *Letter,* Minister to President, June 8, 1956.

Shortly thereafter, a senior government official and member of the Board of Directors of CMHC wrote the President of the Corporation in response to a suggested public housing policy statement:[3]

> My main criticism of the statement is that it seems to assume that public housing is primarily an instrument of social policy to remedy directly the conditions of the poor who are living in bad housing . . . I feel that the construction of any particular public housing project should be based on economic and urban development considerations primarily and that the needs of individual tenants should be secondary . . . It seems to me that public housing projects should also be at a minimum standard as far as accommodation is concerned, but not as far as external design, siting, etc. are concerned. In other words they should improve the community but only provide a bare minimum of housing for the occupants . . . It seems to me that this should be deliberately used not only to achieve economy, but to make clear that we are not competing with private enterprise who we assume will be building a more attractive product intended for those who can afford it.
>
> . . . We should not take tenants requiring a subsidy if we can avoid it. In other words, we should give preference to those who can afford to pay a full recovery rental . . . As long as there are people in the community who prefer public housing, plain and austere as it will be in its interior and can afford to pay the rental involved, I can see no reason why they should be rejected in favour of those who cannot afford it.

The Corporation continued to advocate increased production under the program in 1960 but its submissions were rejected by the Cabinet.

During 1961 and 1962, the Board of the Corporation sought to have the public housing program cut back. One senior CMHC Executive wrote:[4]

> I am inclined to the view that the majority of the Board is opposed to the principle of public housing . . . and are opposed to CMHC participating in the production of subsidized public housing.
>
> The fact is, however, that legislation exists, within the framework of which subsidized housing may be provided by CMHC in partnership with a province and municipality and the Board must share its policy-making function with the federal government. If the government decides that we are to go on receiving and processing applications, then we must do so.

In response to Board concern about the role of the public housing program, an internal position paper was developed by the Corporation:[5]

> A clue to a residual position for public housing design and standards may be found in the stock of used housing presently available to lower income families. The common characteristics of this kind of housing is not that it is blighted but rather that it is obsolete. Obsolescence may be structural and may have to do with roofing, plumbing, wiring, the heating system, etc. It may be functional and/or social, in that features of older houses are somewhat inconvenient, or plainer or not in fashion; for instance, old bathroom fixtures, small medicine cabinets,

[3] *Letter*, to President, February 12, 1957.
[4] *CMHC Memorandum*, August 15, 1962.
[5] *CMHC Memorandum*, November 3, 1962.

awkward kitchens, higher density of neighbourhood. It is not suggested that a residual character for new public housing may be found in building into it a structural obsolescence. There may be, however, merit in creating some measure of functional and social obsolescence; i.e. to incorporate in the concept of public housing design a number of traits making it less socially desirable . . .

An enumeration of such traits would include many items that have already been incorporated into public housing design, either by policy or as experiments . . .

(1) *Higher density of public housing.* Desirable on grounds of economy, higher density environment is also to be sought on grounds that it is considered less desirable by our suburbia attracted generation . . .

(2) *Emphasis on the distribution of units of two or three bedrooms.* It has been stated that public housing should be made available to large families . . . Units larger than three-bedroom should be limited in number on grounds of cost and project appeal. Such units can hardly be said to be residual, while middle income families with many children can seldom afford more than three bedrooms. An over-sized third bedroom may require as much space as would be needed by two bedrooms in a four-bedroom unit and might not save more than the cost of the partition. It should be experimented in areas which have not enjoyed a standard of living as high as that common in major metro areas. The designers should have the freedom of including some small percentage of small units and taking full advantage of the structures.

(3) *Limitation of room size to minimum.* This has been the requirement. It has a direct relationship to costs and goes against the trend for more space.

(4) *Specifications for electrical appliances,* cabinets, wardrobes, storage spaces, to ensure durability and be functional to their main purpose but to avoid the gadgets and the show case presentation of the last or next year's model or treatment.

(5) *Cement or cement brick partition* or wall exposed as interior finish.

(6) *Fenestration functional to design* and light requirement but not to fashion (the picture window).

(7) *Use of fairly uniform colour.*

(8) *Not too convenient relationship* of unit location and parking space or arrangements for garbage collection. Public housing projects do not compete with private enterprise to increase the livability of apartment type projects . . .

The public housing site and project. Use should not be made for public housing of sites such as private industry would develop for purposes of expensive residences or luxury apartments. In combined land assembly and public housing projects, the most valuable or advantageous site should be left to be developed by private enterprise.

The issue of the residual role did not surface again for seven years and will be considered in the context of assessment of the quality of life in public housing projects.

INTERGOVERNMENTAL POLITICS AND PROGRAM COSTS

When the public housing provisions were first enacted, a federal-provincial partnership technique was used to design, build, and operate the projects. The federal government, as senior partner, contributed 75 per cent of the capital costs and operating subsidies; the province as junior partner contributed 25 per cent of each of these, each province passing on a varying share of those costs to the municipalities involved. The partnership was designed to draw the provinces into low income housing and to compel them to face up to what were felt to be their jurisdictional and financial responsibilities.

It was also designed to form a buffer between the municipalities (with which the federal government had dealt directly in the past and from whom the demand for more units would come) and the federal government (which would bear the major cost burden). In practice, the partnership arrangement resulted in direct informal dealings between municipalities and CMHC branch offices with the provinces reserving a right of approval in setting some program standards. The provinces were reluctant to spend much money on the program, and their inaction became a filter which protected the federal government from substantial expenditures. Until quite recently, the federal government was able to say that it always stood ready to fund public housing; the difficulty lay with the provinces which had failed to bring forward proposals for expanding the program. The government was careful to protect this position. In 1956, when the Minister suggested that public housing be restricted to replacement dwellings for units demolished under the urban renewal program, the President of CMHC responded:[6]

> . . . Under the previous policy, the provinces and the public were informed on various occasions that any reasonable proposal would be considered, if based on demonstrated need and provided that the project would neither deter nor compete with private enterprise. This so-called "taps open" policy had the great tactical advantage of transferring the entire public housing debate to the provincial and municipal level. A restriction of section 36 (40) projects to cases of redevelopment would "close the taps" and transfer public pressures back to the senior government, as was the case before 1949 . . .

By 1960, despite the fact that less than 8,000 units were occupied and a number of these bore no subsidy, cost levels had become a matter of explicit concern. Although average annual subsidies for that year were only $300 per unit, in the troubled economic climate of the time these were high enough to lead the Minister to reject CMHC requests to expand the program.

In 1962, members of the CMHC Board, unable to convince Corporation officials to abandon the program, suggested a change in the subsidy sharing formula to lessen the burden on the federal treasury. They advocated the substitution of a system of matching grants on a 50-50 basis for the 75-25 shares in annual operating losses:[7]

[6] *Letter*, President to Minister, June 1, 1956.
[7] *Minutes*, Meeting of the CMHC Board of Directors, October 1, 1962.

> Under such an arrangement, the federal government would not be required to provide an annual rental subsidy but this assistance, if needed, might be available through properly constituted welfare sources. Such a basis for providing public housing, if approved, would result in a substantial reduction in Federal Government subsidy expenditures and might be more equitable, inasmuch as continued heavy rental subsidies would not be paid to a minority group.

Nothing came of this suggestion, federal officials continued to examine methods to expand the public housing program to meet more of the low-income housing need while restraining actual and potential subsidy levels. They felt that the provinces made relatively minor contributions to capital and operating costs, had little concern with design and construction and, therefore, in the amount of the subsidy. Because the municipalities would be much closer to the problems deriving from the finished product, it was felt that if municipalities could once again be brought into the process, greater attention would be paid to cost control.

At the same time, the province of Ontario was under considerable pressure for its inaction in this field. Its officials were chafing under their junior partner role, dissatisfied with the inflexibility of CMHC procedures and the need to deal with the highly centralized federal organization. The provincial Minister indicated that he would be prepared to see a delegation of authority from both the senior levels to the municipality, at least in the case of Metropolitan Toronto.

The 1964 NHA amendments reflected these developments by introducing a second method of providing public housing. Section 43 public housing was to be financed by a CMHC loan to a province or municipality covering 90 per cent of the cost of construction, rather than by joint ownership and sharing of capital costs. Operating losses would be shared on a 50-50 basis rather than 75-25.

In 1965, an internal CMHC report recommended the abandonment of the partnership arrangement and the sweetening of cost sharing terms. Under the proposal the federal government would advance 100 per cent of the capital cost by way of loan and would bear 75 per cent of the operating loss. The roots of the suggestion are found in the limited response to the 1964 legislative changes by municipalities and poorer provinces, and dissatisfaction of program administrators who had to operate subject to provincial approvals. The recommendation was rejected by the federal cabinet on the basis of cost.

As events have transpired, the partnership provisions have become less and less important. The period from 1965 to 1968 was mainly one of consolidation and implementation of public housing programs. In Ontario, the role of municipalities was further truncated with the establishment of the Ontario Housing Corporation, which continually expanded its staff and, in the early stages, experimented with a number of approaches to housing programs. The federal role in Ontario became that of banker, approving individual projects. The Ontario Housing Corporation became the prototype for several other provincial housing agencies but it was not until 1968 and 1969 that most of

them were established. With the exception of Ontario, which moved quickly to utilize section 43, the other provinces continued to operate under the partnership provisions during this period.

Policy discussions at the federal level seem to have ceased during those four years, possibly because it was felt that the issues canvassed in the preceding eight years had been settled and it was now a matter of carrying out the solutions adopted. At the same time, CMHC's attention was diverted to large scale developments in urban renewal, where the provision of public housing was often secondary to other considerations. In 1968, a new Minister responsible for housing was appointed and the first major, publicly visible debate on public housing ensued with the launching of the Hellyer Task Force on Housing and Urban Development. The Task Force was particularly critical of large, high density public housing projects. CMHC began to take a tougher stand with the provinces on the questions of project size, site planning and design. The province most directly affected was Ontario.

Ontario argued strongly in favour of large, high density projects on the grounds that cost considerations in major urban centres made such projects the only economically sound solution.

In 1969, with the appointment of a new federal Minister responsible for housing, a series of interim guidelines restricting the size, scale, and form of projects was suggested. With the expansion of the program, the federal government was becoming more concerned with the physical adequacy of the projects and the quality of life within them. Vigorous opposition from Ontario officials, however, led the federal government to withdraw its proposed guidelines.

In 1968, the newly formed Quebec Housing Corporation embarked upon its public housing program. A Master Agreement between Quebec and the federal government was signed, providing for a block commitment of funds for public housing and non-profit housing to be administered by the provincial housing corporation. CMHC approval authority was restricted to questions of cost and security of the loan. Decision responsibility was effectively delegated to the province.

OHC, with several years of experience under its belt and a number of former CMHC employees at the management level, clearly felt that it no longer needed policy guidance from the federal government. The province sought a delegation of authority similar to that given Quebec. As the housing agencies of the other provinces continue to develop, similar requests are likely.

Two years ago, the federal government made a last attempt to assert an initiative position under the program. A series of public housing guidelines were issued dealing with the management and operation of the projects. While there has been substantial agreement on a number of the guidelines, the provinces have been unwilling to move on the more difficult management recommendations and CMHC has had limited leverage with which to affect their positions.

Faced with growing provincial control of the public housing program and the spectre of rapidly increasing costs, the federal government appears to be moving toward assisted home ownership as a substitute.

QUALITY OF LIFE IN THE PROJECTS

Until 1969, federal officials showed little concern with the adequacy of the units produced or with the quality of life in the projects. No reviews of tenant satisfaction with the program were carried out, nor were there any internal evaluations of the planning and design of projects. In that year the Hellyer Task Force reported:[8]

> . . . Public housing is in a sense an "imported" concept in Canada. While it is a widely used approach in many European countries, it runs counter to the general Canadian concept of social welfare and security. In most areas this concept revolves around attempts to provide needy Canadians with sufficient income or assistance, via subsidy or insurance, in order for them to use the same services which exist for the population at large. In the field of housing, however, the approach has not been to assist those in need to compete in one way or another in the private market, but rather to build special projects designated and reserved specifically for their use.
>
> The big housing projects, in the view of the Task Force, have become ghettos of the poor. They do have too many "problem" families without adequate social services and too many children without adequate recreational facilities. There is a serious lack of privacy and an equally serious lack of pride which leads only to physical degeneration of the premises themselves. The common rent-geared-to-income formulas do breed disincentive and a "what's the use" attitude toward self and income improvement. There is a social stigma attached to life in a public housing project which touches its inhabitants in many aspects of their daily lives. If it leads to bitterness and alienation among parents, it creates puzzlement and resentment among their children . . .
>
> Mr. Goldfarb's interviews with public housing tenants confirmed that these people do believe they face a range of negative stigmas in dealing with the community around them. He, too, found a lack of community spirit and individual self-discipline. He suggested that the problems of living in public housing were "akin to those experienced by some Indians who are on reserves."

In response to these criticisms, a set of recommended standards was prepared covering primarily the physical aspects and design criteria for public housing. The standards suggested that land selected for public housing be dispersed throughout the municipality; that sites for family housing be conveniently located close to employment, shopping, transportation, schools and community facilities; that senior citizens housing be located close to the downtown area or neighbourhood centres; that housing for families with children requiring three bedrooms or more should be provided in the form of detached, semi-detached or horizontal multiple buildings; that housing for families requiring two bedroom accommodation be in horizontal multiple buildings or walkup apartments.[9]

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[8] *Report of the Task Force on Housing and Urban Development* (Ottawa: Queen's Printer, 1969), pp. 53-54.

[9] *Memorandum*, President to Minister, May 9, 1969.

Under provincial opposition federal officials back-pedalled and decided that definite and confining standards were not possible and that firmer rules would lead to undesirable regimenting of design and style of public housing.[10]

Federal administrators understood the criticisms relating to stigma and alienation. A subsequent memorandum states:[11]

> . . . the development of an acceptable living environment, both socially and psychologically, requires
>
> i) the encouragement of a wider cross section of tenant population so as to reduce, as far as possible, social and economic stratification;
>
> ii) the development of a more socially oriented management philosophy that will concern itself with human welfare in addition to the physical structure. Coupled with this a greater tenant participation in the management role is seen as an essential element in the continuing conduct of a project;
>
> iii) the provision of a better range of social and recreational facilities available to the occupants.
>
> A wider cross section of neighbours in society can be obtained by dispersal. The achievement of a broader "mix" can be obtained in a large scale project by the use of several forms of financing (e.g. section 16, NHA, condominium loans, cooperative loans, etc.) rather than the reliance solely on a public housing package. Within a public housing project a further mix can be achieved by allowing occupation of a proportion of the units, say one-third, by higher income tenants on a full recovery basis. This latter can be achieved through adaptation of the rent to income scale . . .
>
> Management ability and skills are critical but vary widely. The Government must, essentially, rely on its housing managers and to this end must ensure that those managers are capable and adequately trained. Conversely, if suitable persons are to be employed in this role, they require a sense of career opportunity and development. At the present time no formal channel of training or qualification has been developed. There exists a need for this.
>
> Parallel to management development is tenant development. Tenants need to be assisted to organize and develop leadership outlets so as to participate with management and voice concerns about their environment . . .

The result was the development of public housing (Andras) guidelines announced in the House of Commons in April of 1970. These involved the reduction of the maximum rent-to-income ratio from 30 per cent to 25 per cent in order to permit higher income tenants to stay on and thereby stabilize the public housing community; a freeze on rental increases for a two-year period relieving the tenant from the burden of periodic income checks; the preparation of a suggested model lease; assistance for management training and grants to tenants associations; and federal contributions towards the provision of social and recreational facilities.

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[10] *CMHC Memorandum*, September 17, 1969.

[11] *CMHC Memorandum*, October 5, 1969.

Public Housing on the Ground

The Federal program has neither qualitative nor quantitative goals. The feeble attempt in 1969 to establish qualitative controls was rebuffed by the provinces. No attempts have been made to set a quantitative goal, a target number of units to be built over the next five or ten years, or to determine the magnitude of the need nationally or its incidence by region or size of community.

Federal policy has been completely demand responsive. Decisions on the type and number of units required and income or social group to be served have been left to the province or municipality involved. Until the last several years, CMHC had no difficulty meeting all requests for funding within its budget allotment and therefore, felt no need to set criteria for allocation. Even in the past several years when it has been unable to fund requests completely, no such criteria have been developed. (The setting of quantitative goals and criteria for allocation may have awaited the completion of internal reviews of the program and political decisions regarding its future).

PROJECT DISTRIBUTION

The demand responsive approach has resulted in limited production and a serious geographic imbalance in the distribution of units.[12] Some 70,000 loans had been approved to the end of 1970 and somewhere in the neighbourhood of 50,000 units were completed and on the ground, out of a total stock of 6,300,-000 units. This fact in itself distinguishes public housing from the rest of the housing stock and must continue to do so for a considerable period of time.

Only 14 per cent of all production has gone to centres with populations less than 25,000, compared to 77 per cent in centres of 100,000 or more. This despite the fact that in excess of 25 per cent of all new starts annually have been in centres of 25,000 or less, and that one third of the urban population is located in those smaller centres.

64 per cent of all public housing units to the end of 1970 had gone to the Province of Ontario, 14 per cent to the Province of Quebec, 7 per cent to the Prairies, 6 per cent to British Columbia, and 9 per cent to the Maritimes.

Approximately 25,000 out of 70,000 units approved have been in Toronto, 6,000 in Montreal, 5,000 in Ottawa-Hull, and 3,500 each in Vancouver and Hamilton. Kitchener, London, Windsor and Halifax are in the 1,500 to 2,000 range.

There are, therefore, many parts of the country where public housing is either a new or very unusual phenomenon. The public has little experience with the program in these areas on which to base a judgment. The public image of the program, as exemplified in the Hellyer Report, seems to result from the Ontario experience (particularly that of Toronto) and from older projects built in a number of centres as a result of urban renewal schemes.

[12] Data in this section from Tables 47 & 48, *1970 CHS*, and from Urban Renewal and Public Housing, Economics & Statistics Divisions, CMHC.

PROJECT SIZE

The impact of focusing on metropolitan centres can be seen in data relating to the size of public housing projects. The Hellyer Report noted the problems presented by large, high density, high-rise projects. Average project size in the country, however, is only 77 units. All projects approved in metro centres since 1949 averaged 114 units and in major urban areas the average is 59 units. If one removed the massive earlier slum clearance projects, the metropolitan average is about 100 units. Only Halifax, Quebec City, Ottawa, Toronto, and Vancouver have average project sizes in excess of 150 units.

The public's impression of the program comes from these metropolitan centres which have received broad coverage from the news media, particularly the earlier large scale urban renewal projects. In Vancouver, the first ten public housing projects averaged some 216 units each. Averages in other cities for early projects were Winnipeg: 280 (first two projects), Toronto: 488 (first five projects), Montreal: 796 (first and only project until 1968), Halifax: 160 (first ten projects with the exception of several recent small ones).

Throughout the West and B.C. there has been a significant shift away from large scale projects since the Hellyer Report. For the most part, there have not been massive projects in the two major Quebec cities. There have, however, been large projects in a number of smaller centres, particularly in the last year or so. Projects in excess of 300 units in size have been approved in Bécancour, Lachine, LaSalle, and Pierrefonds. Many of the other major cities have average project sizes in excess of 150 units, e.g. Trois Rivières, Sherbrooke, Hull.

In Ontario the situation is reversed. In such large cities as Hamilton, Ottawa and Windsor, average project size runs about 100 units. In Metropolitan Toronto, however, constant pressure of rising costs has led the provincial corporation to build large-scale and frequently high-rise, low bedroom count projects. Average project size in Metropolitan Toronto since 1964 has been 231 units and in the City of Toronto 340 units. It should be noted, however, that these are averages and there is a considerable number of projects in excess of 231 and even 340 units in the Metropolitan Toronto area.

LOCATION

Public housing sites across the country tend to be marginal and are frequently sub-standard. They are clearly of a poorer quality than the average site used for rental housing projects approved under the NHA. Some indication of the difference in quality can be seen from the following table which compares lending values for public housing projects and CMHC direct and insured loans for private market rentals.

The market in this case is an effective indicator of the quality of the site. Public housing locations are frequently cheaper because of their location on the fringes of metropolitan areas, distant from commercial and shopping services, employment and recreational facilities. Public transportation to those services and facilities is frequently poor, requiring increased private transportation (automobile) costs which diminish the value of the land. Other factors

Table 1

COST OF LAND PER UNIT
COMPARISON OF SECTION 43 AND SECTIONS 6 AND 58

Location	*No. of Projects*	*Form*	*Section 43*	*No. of Projects*	*Form*	*Sections 6 and 58*
Ottawa	4	Row	$1,002	9	Row	$2,617
	1	E.A.	930	15	E.A.	1,602
Toronto	3	Row	4,975	4	Row	6,322
	20	E.A.	3,233	44	E.A.	3,812
Hamilton	2	E.A.	1,737	6	E.A.	1,621
Kitchener	8	Row	2,244	10	Row	2,680
Sudbury	1	Row	1,929	1	Row	3,227
All Ontario	31	Row	2,184	49	Row	2,906
Winnipeg	6	W.U.	898	26	W.U.	886
Edmonton	4	Row	2,029	8	Row	3,316
Calgary	3	Row	2,128	3	Row	2,596

E.A. — Elevatored Apartment W.U. — Walk-Up

SOURCE: Appraisal Division, CMHC, September 22, 1971.

which reduce public housing land values are proximity to expressways, major thoroughfares, railway lines, and so on. In those areas where projects continue to be built in what were formerly urban renewal areas, they frequently abut on industrial plants or other undesirable land uses.

Some of these factors can be seen in the maps which depict the location of public housing and entrepreneurial full recovery projects approved over the last two years (see inside back cover).

The other thing that can be seen from these maps is that even where project sizes are not excessive, the clustering of public housing projects and the mixing of those clusters with other low income projects, whether entrepreneurial full recovery or assisted homeownership, is leading in some cities to the kinds of ghettos complained of in the United States and in the Hellyer Report.

CLIENTELE

Only 20 per cent of the occupants of public housing units are elderly. The emphasis is on the family, and in particular on the large family. Some 24 per cent of all units are occupied by six or more persons and 40 per cent by five or more persons. The average number of persons per unit is four. Excluding the elderly from these calculations (and they are for the most part housed in high-rise towers, separate from family units) the average number of persons per unit becomes 4.5 and the number of units with six or more persons and five or more persons become 29 per cent and 48 per cent respectively. In terms of the average child count, when single parent families are taken into account, there are 2.7 per unit with approximately 38 per cent of the units having four or more children in them.

When these high population and children counts are compounded with large-size projects and/or with the problems of location mentioned above, friction with neighbours, vandalism, problems in schools, and so on, become noticeable.

Unlike the situation in the American program, some 57 per cent of households in public housing in 1970 were headed by wage earners,[13] 21 per cent were elderly persons in receipt of old age pensions and 20 per cent were recipients of social assistance.

Average family income in public housing projects was $3,870. This was biased downward by the presence of nearly 6,000 elderly households with average incomes of $1,849. Excluding the elderly, average family income was $4,373 and for wage earners was some $5,007.

Average family income had increased from $3,504 in 1968. That increase reflects an increase in the annual income of wage earning families of almost 10 per cent per year from $4,188 in 1968 to $5,007 in 1970. Incomes of social assistance recipients rose from $2,584 to $2,746 over that period and the average income of pensioners declined from $1,920 to $1,859. The percentage of pensioners in public housing, however, rose from 11.7 per cent to 20 per cent over that time; the increased number of pensioners with lower incomes distorts the apparent increase in average incomes for all families.

Three-fifths of the tenants in public housing, the working poor, have incomes higher than might have been expected. Some 48 per cent of them have incomes in excess of $6,000. Only 28 per cent have incomes less than $4,000. This national average, however, does have an Ontario bias. In Ontario, 56 per cent of the working families have incomes in excess of $6,000. In the rest of the country only 37 per cent of the working families have incomes in excess of $5,000 and only 20.7 per cent have incomes in excess of $6,000.

The other two fifths consist of pensioners and families on social assistance. Of the former, 91 per cent have incomes under $3,000 and of the latter, 67 per cent have incomes under $3,000 and 91 per cent have incomes under $4,000.

This indicates that much of the public housing is not going to those whose need is greatest. This may be explained in part by rising incomes of the working poor that have raised existing tenants to the top of the lower third of the income band. It may also be partly explained by rising subsidy costs and the need to reach a higher income group (thus obtaining higher rentals) in order to hold these costs at a tolerable level.

Although public housing in Canada is not a ghetto for the destitute poor or the exclusive preserve of welfare families, and does not suffer the same extensive stigma experienced in the American program, this effect is achieved at a cost of using less than half of a very limited number of units for the lower fifth of the income band.

While in most provinces fewer than 20 per cent of the families are on social assistance (reaching a low of some 7 per cent in Alberta), there are several where it is considerably higher. Notable are British Columbia where some 66 per cent of households are recipients of social assistance, and New Brunswick

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[13] Data in this section are from the CMHC Survey of Public Housing Tenants (1970), CMHC ms and tables prepared for this study by the Economics and Statistics Division, CMHC.

where some 36 percent are in that position. Although there were no data available for Section 43 projects in Quebec, in the light of provincial guidelines requiring that 30 per cent of families have incomes under $3,000 and 50 per cent have incomes from $3,000 to $5,000, it is likely that the number of welfare recipients exceeds 20 per cent. The high proportion in British Columbia probably results from reliance on a policy of first come first served, rather than a selective point system for choosing public housing residents.

DESIGN

Early attempts to introduce row and other non-traditional forms of housing resulted in the public housing project standing out clearly from the neighbourhood in which it was located. Use of materials and fencing not found in the area had a similar effect. Too often, it flowed from good intentions. Under the partnership arrangement, CMHC architects were eager to prove that they could produce award-winning housing which would make the poor not only as well housed as the average Canadian but better housed. With the more recent reliance on the proposal call system for Section 43 projects, particularly in Ontario, Quebec and Manitoba, units are virtually indistinguishable from moderately priced housing built for the private market. Design is, therefore, not as serious a problem as project size and location in drawing attention to the public housing tenant.

Despite improvements in the physical planning of projects, in their size, design, social and recreational facilities and population characteristics, the program remains highly stigmatized. Lag time and information gaps are partial causes; the public knows relatively little about the program and about the changes which have been made in it. More important than general public attitudes, however, are the attitudes of project residents, potential residents, neighbours, and program administrators. Tenant dissatisfaction can be seen in high turnover rates — nearly 10 per cent — and in the very small number of potential applicants who actually apply for public housing (although this may result from pessimism about the possibilities that an application will be successful). Neighbourhood opposition reveals itself in the resistance to rezoning for public housing found throughout the country and particularly in Ontario. But political and administrative distaste for public housing is still among the most basic causes of program difficulty.

> . . . Policies for the provision (of public housing) are too deeply affected by a philosophy of laissez-faire and the individual effort ethos that only a slight deviation from the norm in terms of giving minimal housing assistance to the very desperate is allowed . . .
>
> . . . discomfort and disapproval have been intentionally built into (public housing) to goad the client into doing his utmost to get better and strive to leave . . . [14]

The opening section of this chapter discussed the four primary influences on public housing policy: non-competition, intergovernmental politics,

[14] E. D. Huttman, "Stigma in Housing: International Comparisons," paper presented to the American Sociological Association, July, 1970.

costs, and the quality of life in the projects. The basic streams in each reflect the conviction that public housing is just another version of the dole and its occupants are society's outcasts. Though mellowed somewhat with time, the attitude can still be found in the planning, building, and operating of public housing discussed in the sections below.

Planning for Public Housing: Two Case Studies

THE PARTNERSHIP TECHNIQUE: VANCOUVER

British Columbia has no stated public housing program or goal. It relies entirely on municipal initiative, and views its major role as controlling cost and design standards. And the municipal initiative was usually sparked by urban renewal projects, since public housing had to be built to house persons displaced from such projects. Until the late 1960's, municipal planning, to meet the need for public housing, consisted of little more than an examination of the 1961 census tracts to determine a likely composition of the population in a neighbourhood, which would then be reflected in project planning. Relatively unsophisticated though the technique might have been, it did demonstrate a greater effort to determine the housing needs of the population than does the presently used "need study" which merely involves consulting the public housing waiting lists to determine the number of new units required.

The municipality "plans" for public housing as the need is felt on a year to year basis. Although there have been discussions for some time about a comprehensive, long range need study of the Metropolitan Vancouver area, the study has never been undertaken. In 1971, responsibility for public housing was delegated to the Greater Vancouver Regional District Board. It is expected that one of the first tasks of the Board will be to undertake a sophisticated housing need survey.

In addition to proposals to determine the housing needs of the general population, there have been recent attempts to design projects that are better suited to the particular needs of public housing tenants. In one federal-provincial project, the consultant architect, with the support of field and Head Office CMHC personnel, expressed a desire to consult potential users of the project. The housing was to be for single men over 55, which presented design problems that had not been previously encountered. The City, however, opposed the consultation on the grounds that it was unnecessary and time-consuming. Despite strong municipal opposition, at the insistence of the architectural consultant, potential tenants were included in the design process and major changes in internal unit layouts resulted.

CMHC, British Columbia, and Vancouver all assume that the choice and acquisition of land to be used for public housing is a municipal responsibility. The City possessed a considerable amount of land as the result of tax sales during the 1930's. For a time these City-owned sites were used for public housing. The sites tended to be marginal in several respects and, at the time of project construction, were frequently located on the edge of the City away from

transportation and other facilities. Later projects, built on urban renewal sites, tended to be more centrally located.

Provincial cost guidelines for public housing make it necessary to use cheap land. In a major urban centre inexpensive land means either sites that are substandard or sites that are on the remote urban fringes. Although these sites are, naturally, not as valuable as other locations in the City, the City has nevertheless maintained a policy of selling the land to the Federal-Provincial Partnership at the maximum price possible. This policy derives, in part, from the conviction that City residents will already be subsidizing the public housing through operating cost subsidies and through additional City services required by the project. To sell City-owned land to the partnership at cost would be to create a situation where City residents were, in effect, providing an additional subsidy.

Public housing projects in Vancouver are clustered heavily around the core of the City, mainly on the east side or in the south end. The only public housing projects that have been located outside the City have been for senior citizen housing. There is considerable suburban opposition to *any* form of low-income housing and to public housing in particular. The suburban municipalities have taken the position that low-income housing will serve only the central city poor — presumably on the assumption that no low-income people reside in the suburbs or that such people would not be housed in low-income projects developed in their municipalities — and housing the central city poor is not a suburban obligation. Suburban municipalities are usually dormitory areas with relatively weak assessment bases, composed largely of residential rather than commercial or industrial properties. The extent to which such an assessment structure can carry the additional servicing costs involved in the provision of public housing is open to question. In any case, the outlying areas have decided against providing public housing.

The public housing responsibility delegated to the Greater Vancouver Regional District Board will enable it to locate public housing throughout the region, but only with the approval of the municipality concerned. Once the housing is built, the costs are prorated across the entire region and individual municipalities are not permitted to opt out of paying their fair share. They can, however, refuse to allow public housing to be located within their borders in the first place. One way to overcome municipal intransigence in the matter of approving public housing would be to provide the GVRD Board with authority to locate the public housing directly in any area of the region. The Province strongly rejects this solution, contending that additional delegation of authority to the Regional District Board must come as the result of consensus within the region; the strong tradition of local autonomy that has developed in British Columbia would make any other solution politically impossible. It does not appear likely that the suburban municipalities will agree to a strengthening of the GVRD Board in this regard.

Cost considerations have played an important role in planning public housing. There are two elements involved in a consideration of cost: capital cost and subsidy cost. The two are usually linked. Location, design, and con-

struction quality affect the level of the capital cost. The higher the quality, usually the higher the cost. Better quality units, however, are generally more durable and, if properly designed, better meet the needs of the tenants, thereby decreasing unusual abuse. Lower maintenance costs reduce the annual operating subsidy. Because capital costs are immediately visible, they are too frequently reduced without examining the subsequent effect on subsidy costs. This has certainly been the case in British Columbia. When several early public housing projects exceeded $15,000 per unit in capital cost, the province established a limit of $12,000 per unit. Seemingly adequate units were produced on the open market for that cost and the province presumably felt that there was no reason why public housing tenants should get housing that was any better than private accommodation. The result was a shift from architect-designed projects to off-the-shelf proposal call units of definitely inferior quality.[15]

The cost limits have been updated periodically to the point where they now stand at approximately $11,000 per unit for senior citizen accommodation and $19,000 per unit for family accommodation. The difference in unit cost between senior citizen and family accommodation — due largely to the much smaller unit size of senior citizen accommodation — has resulted in considerable provincial pressure to mix family units with high rise units for the elderly or for childless couples in an effort to arrive at a lower average project unit cost. Unfortunately, the emphasis on the mix is not the result of an examination of whether or not mixing senior citizens and families is in any way desirable in itself.

Until recently, the average project size in Vancouver has been quite large. The first ten public housing projects averaged some 216 units. More recently (except for senior citizen projects) projects have dropped to less than 100 units. The concept of smaller project size seems to be taking root.

The public housing dilemma is clearly seen in the design problem. The early projects tried to demonstrate that it was possible to build public housing that was as good or better than the housing available on the private market. In order to build in durability and low maintenance costs, heavy-duty masonry construction was used. Public housing stuck out like a sore thumb in a city where most family housing is wood finished. In an effort to reduce costs that were already above the market level as a result of the heavy-duty construction, higher density row housing was developed, but row housing was a form of housing little known in Vancouver at the time.

In an attempt to make public housing less distinctive in design, the proposal call system was used. This system involves a public invitation to developers to submit development proposals suitable for public housing. In response, the builders tend to use their stock designs for cheap housing. The units are then indistinguishable from other low priced housing available on the market, but CMHC officials are dissatisfied with the quality of the living environment produced and foresee the possibility of high maintenance costs.

[15] There will be a more detailed examination of the reasons for the inferior quality in the proposal call system in the section dealing with the building of public housing.

Very few community facilities were built into the earlier projects. As a result of the increased federal interest in recreation facilities (coupled with tenant pressure), community recreation centres are now being designed in some of the projects.

THE LOAN TECHNIQUE: TORONTO

Those provinces using section 43 exclusively, apart from Quebec, are typified by a more centralized planning approach than obtains under section 40. In Ontario, New Brunswick, Manitoba, Nova Scotia, and Quebec (in the smaller centres), the province itself develops the program and plans and designs the individual project. Municipalities request a given number of units and the provincial corporation then takes over. In major centres, projects are frequently developed over the opposition of individual municipalities.

The federal government, acting as banker, has adopted the position of approving or rejecting individual projects without participating in the planning of program or projects.

No attempt was made by CMHC to establish policies to govern section 43 approvals until the (never implemented) guidelines were suggested following the Hellyer Report. To a certain extent, this might be explained as giving the provinces in general, and Ontario in particular, a chance to feel their way. The federal government had invested a considerable period of time in trying to persuade the provinces to take over responsibility for low-income housing; clearly the government did not wish to jeopardize its success in convincing the provinces to do so by laying down new rules for the provinces to follow. In addition, the first few years of program development saw only a limited number of projects acquired; the majority of these were acquired by purchase of existing units rather than by construction. Project approval of new construction continues to be on a case by case basis. The only exception to this is the Province of Quebec, which has managed to obtain block loans of funds for public housing which the province then disburses without individual project design approval by CMHC.

Ontario accounts for some 75 per cent of all units built under section 43 and Metropolitan Toronto accounts for 57 per cent of all units built under section 43. The high level of production under the program does not stem from a detailed analysis of the nature and extent of the low-income housing problem. It resulted instead from considerable dissatisfaction with the red tape and delays entailed under section 40; from provincial desire to control the program and set design standards; from provincial interest in ownership at the end of the 50 year loan period; and from the province's intention to use the proposal call system almost exclusively.

Ontario, too, lacks a mid- or long-term goal of units needed or understanding of the type of unit to be provided. Housing need is determined by each individual city; there is no established policy for the allocation of units among different metropolitan areas. In 1970, for the first time, the federal government was unable to fund the entire proposed provincial program. How the province decided where to cut back is not known. If an allocation process was not neces-

sary in the past (since the federal government was previously in a position to fund all requests) one will clearly have to be developed and implemented for the future.

Public housing waiting lists are used as the primary indication of housing need in the province; OHC officials periodically declare that a fall in the number of families on the waiting list indicates that the need is subsiding. In 1970, a special study of public housing need — financed under Part V of the National Housing Act — was undertaken in Metropolitan Toronto. The study concluded that some 35,000 units of public housing would be required in Metropolitan Toronto in the coming decade. Although the method used was fairly mechanical, applying the formulas used to determine national housing requirements to the municipal level and treating public housing requirements as the gap between what the market would produce and the estimate of total requirements, it is still one of the most ambitious studies undertaken by a city anywhere in the country. The estimate of 35,000 public housing units in the next decade — broken out as 3,500 per year — has been accepted by the Ontario Housing Corporation as the public housing target in the Metropolitan Toronto area.

Metropolitan Toronto presently has four projects in the Borough of York, one in East York, eleven in Etobicoke, twenty-six in North York, twenty-six in Scarborough, and seventeen in the City of Toronto. The average unit count in the projects is 295 in York, 293 in East York, 108 in Etobicoke, 167 in North York, 211 in Scarborough, and 365 in Toronto. The distribution indicates that Scarborough and Toronto account for the majority of high density projects. The bulk of the units are in North York (4,348), Scarborough (5,478) and Toronto (6,207).

Several of the Toronto projects are in former urban renewal areas. Almost all are clustered in the south central-south east sectors of the City. There is a substantial group in the Jane and Finch area of North York, on the edge of the City, and in the Thistletown and Albion Road areas. The Scarborough projects are more scattered, and tend to form smaller clusters.

Except for the projects in the City of Toronto itself, the majority are located on the fringes of the metropolitan area. Many of them are located near major thoroughfares and are not integrated into the surrounding neighbourhoods. About half a dozen are located near railway lines. The locations are clearly marginal. In several cases, concern for the marginal quality of the location has been expressed by the Toronto branch architect. In one remarkable case he had rejected the particular site five times before it was approved by Head Office, over his objections. A parallel concern for location quality has not been demonstrated by Ontario Housing Corporation, whose attitudes appear to be shared by the non-design oriented branch personnel and by CMHC Head Office.

There has been considerable opposition from the Borough of Scarborough to the introduction of more public housing projects in its area. It has, by far, the highest concentration of public housing: 24 units per thousand population, double the metro average. It also has, however, the only land in

Metropolitan Toronto that is still vacant and available for development. In addition, it is predominantly a working class, lower middle class area with less expensive land housing than what is to be found in the other suburbs. These combined factors have resulted in the concentration of public housing in Scarborough.

But, unlike Vancouver, as long as the proposed project meets the local zoning requirements the individual municipalities have no further say in whether or not public housing will be located within their borders. In Metropolitan Toronto, the *metropolitan* level of government is responsible for negotiations with OHC. From a provincial perspective, this constitutes negotiation with the *municipal level*. Within Metropolitan Toronto, however, it means that the *area municipality* — in this case Scarborough — is not included in metro's deliberations regarding the location of public housing. Given local resistance to an increase in the number of public housing units located within a municipality's borders, a high degree of contact with the area municipality is unlikely.

Where the proposal does not meet zoning requirements, a zoning by-law change is necessary before the project can proceed. The stiffening of council opposition to public housing — which too often has meant high density housing — has been supported by general ratepayer opposition to high-rise rezonings. Public housing rezonings (because the province relies on a proposal call system, which requires the developer, whose proposal has been accepted, to appear before council on his own to obtain the rezoning) have been blurred by the general fight against high-rise.

Several municipalities have asked the federal government not to approve public housing loans unless the projects have been approved by the local councils and any necessary rezonings already obtained. CMHC broached the matter with OHC, presumably feeling that the request might encourage greater responsiveness to local need. OHC objected strenuously, contending that to require the project to be pre-zoned before a proposal could be considered would mean that fewer proposals would be received, competition would be reduced, and costs would rise.

The provincial position was strongly endorsed by CMHC field personnel in Toronto:[16]

> There is much validity in the viewpoint that we should not approve any project where such approval might be used as an issue in any re-zoning application. It is understandable that the Corporation would not wish to be placed in the position of appearing to give tacit agreement to a particular zoning before such zoning has been approved by the municipality and the O.M.B. We recognize also that spot re-zoning is unsatisfactory from a planning point of view and that it would be much more desirable for municipalities to plan for multi-family accommodation on a proper and organized basis. Nevertheless, one can rationalize that if a project is considered to be acceptable to the Corporation, we should be prepared to make a loan commitment . . . We tend to the opinion that the benefits achieved would not be worth the price paid. We think that the proposed policy would have an adverse

[16] *CMHC Memorandum*, April 2, 1971.

> effect on the proposal call system and if we insist upon its implementation, it would become just one more bone of contention with OHC, thus creating an added strained relationship . . .

Ontario has never set capital cost limits for projects; indeed, CMHC appears to have been more concerned about project costs than the province. In 1966, the Corporation expressed its concern that OHC, in permitting a 10 per cent margin of error in appraisals, was giving apartment owners huge windfall profits in the prices being paid for the acquisition of existing units. The issue was not joined since OHC turned its attention to new unit construction and introduced the negotiated proposal system. CMHC attention then followed OHC activity and focussed on the apparent lack of competition in the negotiated proposal. CMHC pressed the province to use competitive proposal calls instead to ensure that the best possible price is obtained. The province reluctantly issued another call for proposals in the summer of 1971.

Cost does not seem to be a factor in whether or not a municipality accepts public housing. Ontario municipalities have not been required to make any contribution toward the capital cost of projects; they are required to pay only 7½ per cent of the annual operating subsidy. This, combined with the strong financial position of Ontario municipalities compared to other municipalities in the country, explains the substantially greater number of units in the province. OHC officials, however, are very concerned about rapidly increasing subsidy levels; anticipated subsidies for family units in the 1971 proposal call are $150 per unit per month. A major review of Ontario's housing programs was announced in the 1972 speech from the throne. Rapidly escalating cost has stimulated the search for alternatives to public housing.

As a result of the proposal call system (to which the builder responds by producing the same units that he would build for the private market), the units produced are not readily marked by their design as public housing. What does set the housing apart is the very large scale of some of the projects and the tendency to cluster projects in a single area. The classic example is proposal 521-PH-37, a project of 869 units in three high rise buildings at Danforth and Midland in Scarborough. OHC standards for the proposal call had required no more than 250 units in a single location (the entire proposal call had been for a total of 2,000 units) and a ratio of one bedroom units to two bedroom units of 1:2. CMHC branch architectural staff recommended against loan approval since the proposal contravened unit count ceilings and the ratio of unit sizes. The loan application was approved by CMHC Head Office.

Large, high density developments are used in an attempt to hold cost and, presumably, subsidies down to a minimum. In addition to being high density, the recent developments are also produced with small bedroom counts. This effectively reduces the number of children in the projects and, subsequently, reduces the wear and tear on both the buildings and the landscaped areas surrounding them. It also means that the need for family units is not met.

The table below demonstrates the effect of total OHC dependence on developers and the absence of a comprehensive needs analysis on the form and size of units produced. One sees in 1968 and 1970 the tremendous em-

Table 2

PUBLIC HOUSING APPROVED, ONTARIO — 1968 - 1970

Type	*1968*	*1969*	*1970*
Single Family	286	320	80
Row	1555	4322	1191
Apartment	5114	5007	9126
Number of Bedrooms	*1968*	*1969*	*1970*
Bachelor	1722	369	1125
1	1818	3321	5706
2	1377	3339	2549
3	1868	4117	1059

SOURCE: Economics and Statistics Division, CMHC.

phasis on apartment projects and the minimal number of three bedroom units suitable for large families, 26 per cent in 1968 and 11 per cent in 1970.

Building Public Housing

TENDER CALLS: VANCOUVER

The first nine projects in Vancouver were built under the tender call system and designed under the direction of the Chief Architect at CMHC.[17] In efforts to hold costs to a minimum, heavy duty construction was used. The more durable construction increased the capital cost per unit, which was frequently further increased by the preparation of detailed working drawings setting out the specific materials and components to be used by the builder. The builder was left with little leeway to work with familiar materials or purchase alternative supplies available at more reasonable prices than those called for in the designs. Dissatisfied with the high unit cost of building partnership public housing by tender call, the province pressed for the use of the proposal call technique.

The first proposal call — a senior citizen project — was extremely successful. The response to the call was good; a number of local builders submitted architecturally designed plans for the project. All proposals were reviewed by the CMHC Chief Architect and Chief Appraiser acting as a jury for the competition. After weighing respective cost, design, and location criteria, the jury selected the second-lowest bid. Provincial reaction was negative. The province saw the proposal call system strictly as a method for reducing public housing costs and insisted that the lowest bid be taken. But CMHC continued to insist upon the acceptance of the second-lowest bid, and the province finally agreed.

The architects were also dissatisfied. A dispute regarding architects' fees for projects rejected and control of the selection jury by their professional association led the architects to boycott the proposal calls on the next three projects. In the absence of architect cooperation, and in an effort to provide

[17] The earlier projects were designed by the Architectural and Planning Division staff, and the later ones by consultant architects. Even where consultant architects were called in, however, the design frequently reflected prevalent Divisional design concept preferences.

some design guidance to builders to avoid "off-the-shelf" plans, the CMHC branch architect prepared sketch drawing that indicated the type of units that could be built on the proposal sites. Head Office Architectural and Planning Division — normally in full control of project design, to the exclusion of the branch architect — was not happy with the experiment. Under pressure from Head Office, the province agreed to return to the use of consultant architects. The province has, however, continued to stipulate cost limits on the projects. In an effort to correct the previous difficulties of project delay as a result of Head Office insistence that the consultant architects deal only with Ottawa, the province has insisted that the branch architect be the contact with the consultant architects on a daily basis, that there be no delays in Head Office design processing, and that the Head Office architect responsible for the project be available virtually on demand.

Although Vancouver flirted with the Ontario negotiated proposal technique for awhile, CMHC pressure was successful in bringing the province back to full reliance on the tender call system.

PROPOSALS CALLS: TORONTO

Ontario has been the pioneer and foremost proponent of the proposal call method in this country. It might fairly be said that one of the main stimuli for the establishment of the provincial corporation was its dissatisfaction with the lengthy delays and design problems involved in preparing public housing schemes under the partnership method. The province had repeatedly pressed CMHC to accept the proposal call technique and Head Office Architectural and Planning Division had repeatedly rejected it.

In 1965 and 1966, in order to provide units immediately, the province purchased a large number of existing units on the market. Although the province stressed its intention to continue using existing stock, from 1967 on OHC relied almost completely on new construction. Presumably, with the loosening of the money supply in 1967, builders were not as hard-pressed for cash and were less willing to sell existing projects. The shift in policy from purchase of existing units to new construction also reflects the emphasis on unit starts as a measure of program success, the tight housing supply and low vacancy rate in rental stock, and the high maintenance costs attached to existing older units.

The province held its first proposal call in 1965 in Metropolitan Toronto. The call was open-ended: it simply indicated that a number of units would be required annually to meet the housing need. Instead of competitive bidding with a closing date, the "call" soon became a matter of case by case negotiation of individual proposals.

Responding to CMHC criticism of the lack of competitive bidding, the province has claimed that a considerable number of units are required in Metropolitan Toronto, so many, indeed, that it is not necessary to continue to make annual proposal calls. The province also maintains that it has been far easier to secure the necessary units by dealing with the proponents on a negotiated case by case basis.

In the early years following the initial call, many of the larger builders

were reluctant to involve themselves in the administrative red tape normally attached to building for governments. The industry, however, eventually found a modus vivendi with OHC. Two basic techniques evolved. The first was to approach OHC with the barest minimum in terms of design, to push for its acceptance in principle, then to undertake the creation of a polished design in the near certainty of signing the contract. In this situation, the final design and working drawings (both of which were begun after approval in principle) could be substantially different from the ill-defined preliminary drawings that were first presented. The system provided an extraordinary amount of flexibility and leeway for the builder-developer.

The other, and almost opposite, tactic was to confront OHC with what amounted to a full set of working drawings at the outset. The developer normally had the working drawings on hand as a result of being turned down by another funding source. When this occurred, it was found that the rejected project could be "sold" to OHC with few changes. It was a slight variation on this system that was attempted in the Vancouver area but eventually disallowed by CMHC Head Office. Because Ontario builds under section 43, however, CMHC Head Office is far less capable of requiring changes in the system. In addition to the lack of competitive bidding, the off-the-shelf approach has the further disadvantage that any changes required by OHC will become very costly, since the project has already advanced to the working drawing stage. To insist on the changes could be to increase the price of the unit considerably.

One result of the above system was the growth of an extremely close working relationship between the Ontario Housing Corporation and the builders with whom OHC deals on a regular basis. Since there were no publicly available standards or guidelines (from which any builder in the area might examine his holdings and determine the relative likelihood of acceptance), OHC preferences and needs are relatively unknown to those builders who have not been successful in the past in negotiating a proposal.

In addition, there is a tendency for the provincial corporation to reject a proposal without providing substantial reasons for the rejection. In the absence of guidelines, substantial reasons for rejection would act as feedback which would help a proponent to determine exactly the kind of housing that OHC is seeking. Lower bids are rejected in favour of higher bids on the grounds that the number of units required in the area has not been met, or that the bedroom count desired is not evidenced in the project, or that the type of location put forth is not acceptable, although no criteria for these have been published. On the other hand, once a builder is successful with a proposal, he has the advantage of having had the experience of negotiating with OHC, which provides him with great insight into OHC preferences and standards. This knowledge, in turn, enables the builder to adjust his proposal to better suit OHC preferences in any future bidding he may do.

Public housing locations along the suburban fringe of the city result from the proposal call technique. OHC rarely acquires land in advance of need; the province relies on builders to bring forth proposals that include land. The builders' more attractive and desirable locations are reserved for private

market luxury rental. The sites brought forward for low-income housing are consistently located on less valuable land, often away from rapid transit, commercial and other facilities.

Ontario's primary argument in favour of the negotiated proposal method is that it permits a rapid production of units for family housing at a low cost. In fact, the units produced under this method in Metropolitan Toronto are comparable to those which CMHC gets under section 15. Indeed, CMHC will occasionally refer proposals it has been unable to fund to the province for use as public housing. But the projects have tended to be high density, high rise projects with bedroom counts of less than an average of 2.0. CMHC referrals have not assisted the production of low-income family housing.

Federal officials complained that the cost of units produced under the public housing program were much higher than similar units funded under section 15. OHC was sufficiently sensitive to the CMHC criticism of project costs to issue further proposal calls in September, 1970, and in May of 1971. The latter call — for approximately 4,000 units — for the first time indicated a preference for a substantial number of low rise, medium density family units. General standards for unit size have been fixed by mutual agreement between OHC and CMHC. In the past CMHC had complained that being involved in the selection process only after detailed drawings have been developed left the Corporation with no real choice; it was able to do little more than approve or reject specific projects. For the May, 1971, proposal call, local representatives of CMHC were invited to attend the reviewing session and make their contributions to the discussion prior to a final OHC decision on the projects.

Although OHC did agree to issue a new call for proposals, very little has been done to improve the proposal call technique itself. Government requirements have not been substantially updated; they continue to be based on those used by CMHC twenty years ago. The only revisions made have been to prevent the repetition of glaring past errors, not to avoid potential future pitfalls. There is still no feedback to the builder-developer on the reasons for rejecting a proposal, and little feedback to the construction division (responsible for reviewing proposals) from the property division (responsible for unit maintenance) on the problems presented by the units produced. Both federal and provincial officials were satisfied with the results of the proposal call for family units. They were unable to meet the desired quota because of high construction costs and several projects were awaiting federal cabinet approval (in the fall of 1971) because they exceeded the ceiling in the regulations on CMHC's approving authority.

Despite the apparent satisfaction, the most recent OHC call in Metro Toronto was for units with an average bedroom count of at least 1.9 in the suburbs and 1.2 in central Toronto. In another effort to increase its portfolio of larger family units, rent supplements were authorized for 1,100 units, throughout the province. Landlords were unwilling to enter in the arrangement and only 322 units were secured.

DIRECT CONSTRUCTION: DARTMOUTH

Almost nowhere in the country has reliance been placed on direct construction of public housing by either of the two senior levels of government, despite the success of direct federal efforts after World War II. This would entail either the development of a construction arm by the government agency or the hiring of management expertise to design and then supervise the construction of a proposed project. If a design team were assembled, it would then be paid a management fee, but the cost would be at the government's risk since there would be no guarantee that the government would "buy" the final design.

One example in which a design team approach was used is Dartmouth. The NSHC had advertised for builder proposals for an aggregate of 500 units and received only one proposal for 45 units at an unacceptable cost of $22,000 per unit. The City of Dartmouth therefore sent a circular letter to all architects in the area asking them to form a design team with a developer of their choice to develop a project of some 120 units. The teams were asked simply to submit a resume of operations and capabilities. Each team was rated by the City, NSHC, CMHC, major lending institutions, and the Provincial Construction Association. One team was appointed on the basis of the rating. All members of the team were local firms.

Both the branch and Head Office of CMHC appear to have understood that several of the teams would be asked to provide preliminary drawings with per unit prices. No advantage could be seen in eliminating the competitive element. The City decided to press forward. There was no commitment from the Corporation that the project would automatically be accepted; the City ran the risk of up to $20,000 in fees to the team.

CMHC raised some questions about the design of the project and a senior architect was sent from Ottawa to attend one of the meetings. His suggestions not only contributed to lowering costs but also to re-thinking the project, and an improved final design.

Subcontractors and suppliers were asked to bid competitively for various parts of the work. The contractor advertised in local trade papers without reference to the nature of the project.

CMHC ultimately accepted the project primarily because the unit cost remained below that of the 1969 Partnership project in the City. The City has the advantage of knowing that the project is being built for a fixed sum with no possibility of extra costs. The amount of the loan commitment could be fixed with full knowledge of the nature of the project to be built, but without imposing on the builder a detailed set of working drawings prepared by a government architect.

Managing Public Housing

Public housing management is traditional property management. Its aims are the preservation of the value of the physical asset and control over operating costs. There is not even the discipline provided by consumer choice in the middle income private market, where a landlord must (except in condi-

tions of tight supply) provide certain services beyond shelter or lose some of his tenants. Public housing projects are assured of full occupancy. The only control on public landlords is via the political process, moved by public opinion.

This traditional approach to management is not surprising. Canada has not yet developed a management capability for family rental housing. Most major apartment developers today refuse to accept families with children. The production of medium density rental housing in the form of row houses or town houses is a recent innovation. The predominant form of family housing remains the detached, single family unit. In public housing, the lack of the management capability is aggravated by fringe locations and inadequate services and by higher than average numbers of children. Added to that is the residual or charity housing philosophy and the attitudes of some managers that the residents should be happy that they have cheap, clean housing and that they have no right to ask for more.

In our interviews with pubilc housing tenants, complaints centred on: unwillingness or delays in making repairs and doing general maintenance work; inadequate social and recreational facilities, both physical and organizational; vandalism, lack of building security, inadequate policing of the conduct of other tenants; lack of privacy, unreasonable rules and regulations, interference with the reasonable use of the premises; generally unresponsive attitudes and unwillingness to listen to reasonable complaints and requests for service.

That list does not differ greatly from the complaints which would be obtained from dissatisfied tenants in private rental buildings. There are, however, differences. With large numbers of children and inadequate recreational facilities and services, vandalism is likely to be a real problem. While "problem" families are a small minority, there will be more than in a private rental project and their conduct may disturb other tenants. Because society singles out public housing tenants as failures, unable to pay their own way, many of the residents are not there by choice but necessity. To some observers, they should be thankful for what society has given them and ask no more. Many of the tenants, however, are not prepared to accept from the government, *their* servant, the same level of service they might be prepared to accept in cheap private market accommodation. They expect the state to be better.

Their expectations run head on into the administrator's property management philosophy. In some provinces, that philosophy has been a practical necessity, as the rate of public housing production is accelerating so quickly that the ability to keep up with the day to day property management problems taxes the capability of the managing authority to cope. Those authorities are on a treadmill, running to stand still, and lack the necessary breathing space in which to plan to meet the social problems of tenants.

By 1969, federal officials had recognized the need to provide a wider cross section of tenants in public housing, to develop a more socially oriented management philosophy, and to permit an increased tenant role in management. Suggestions included: renting to higher income tenants paying full recovery rents, developing management abilities through training courses and encouraging a sense of career opportunities, and assisting tenants to organize

and develop leadership outlets. In the past three years, little progress has been made in broadening the public housing income band and in upgrading management capability. There has been some progress in developing and organizing tenants groups which bring management issues before the public.

CHANGES IN THE INCOME RANGE

The 1969 public housing guidelines suggested the adoption of a new rental scale, a two year freeze on rental increases, and a standard form lease drafted by CMHC. The revised rental scale reduced the maximum rent-to-income ratio from 30 to 25 per cent, and made adjustments in rent for family size and status and for working wives' incomes. The two year freeze was intended to permit tenants to enjoy the results of increases in income without immediately losing a major portion of the increase to a raise in rents. The new lease increased the measure of protection afforded the tenant.

The revised rental scale has been accepted in all provinces except Quebec and New Brunswick. The former has instituted its own scale which it feels is even more advantageous to the tenant. New Brunswick has introduced a new scale that is very close to the scale used prior to the issuance of the Andras Guidelines; apparently New Brunswick has done this through fear of increased subsidy levels. Several provinces have frozen rents for one year, rather than adopting a two year review. The explanation given was that after two years the increase would seem much greater and cause hardship.

The changes in the income scale have been intended to increase the security of the individual tenant and the rent freeze to remove the punitive aspect of rent increases for him. Their purpose was not to significantly broaden the range of incomes in public housing, although some such widening may be a beneficial side effect. No action has been taken on the suggestion that one third of the units might be made available to moderate income tenants at full recovery rentals.

Lack of interest in broadening income levels can be seen in the response to a request for funding by the province of Ontario interested in building adjoining public housing and low rental projects to allow tenants with increasing incomes to remain in the publicly owned subsidized project by moving to the section 15 units. Federal officials have resisted attempts by OHC to obtain access to section 15 full recovery funds and have suggested that the province can build full recovery units under the public housing provisions. The federal response has the effect of protecting limited dividend funds for private entrepreneurs and of compelling OHC, if it wants to build full recovery units, to use its public housing allocation, reducing the number of subsidized units available for the low-income group.

ORGANIZATION FOR MANAGEMENT

The organizational models used for operating public housing do not break down into clear section 40 and section 43 categories. The breakdown tends to be more along the lines of centralization versus decentralization and therefore tends to cross program lines. The more centralized operations include

Ontario, British Columbia, New Brunswick, and Manitoba. Included in the more decentralized operations are Quebec, Saskatchewan, Alberta, and Nova Scotia.

In Ontario, most management functions are carried out by the Ontario Housing Corporation. In those municipalities where local housing authorities were established under section 40, the local authorities have been retained, but they now have little to do. Ontario is considering the decentralization of management functions outside Metropolitan Toronto to local housing authorities, but the form which that decentralization will take is unclear.

In New Brunswick, the province continues to rely on the local housing authorities established in Saint John and Moncton. It has been difficult to find individuals willing to serve as members of the authorities. This means that the management function has been left largely in the hands of the project manager. Outside the two major centres, the province is responsible for management. In these cases, advisory committees are sometimes used to help solve management problems; they are set up on a regional basis and overlap municipal boundaries.

In Manitoba, the province presently manages directly the projects in the Winnipeg area and relies on local housing authorities to manage public housing in the smaller municipalities. Despite the great increase in production under the program, the provincial corporation has only two or three officers responsible for housing management. The greatly expanded program of public housing now under way in the province may lead to an extensive management effort and to a re-thinking of the use of local housing authorities. So far this has not occurred.

British Columbia uses the British Columbia Housing Management Commission to manage public housing projects. The Commission acts as one large housing authority for the entire province.

Nova Scotia, Alberta, and Saskatchewan continue to place a great deal of reliance on local housing authorities to manage projects.

LOCAL HOUSING AUTHORITIES

The local housing authority system that so many provinces continue to rely on is a management method that was set up in 1949, when section 40 was adopted. It was felt at the time that the senior levels of government would be primarily responsible for planning and building public housing, and that an independent group at the local level would undertake the operation of the projects. The choice of the local housing authority structure appears to have been an attempt to isolate management practices (and tenant selection in particular) from the political process. The authorities are special purpose bodies that operate quite independently of municipal government. They are staffed almost exclusively by professional men and women, and the position continues to be a voluntary and unpaid one. As a result, many of the authorities are moribund and management responsibility falls upon the project manager.

The position of the authorities is further complicated by the highly complex process of appointing local authority members. There are seventeen

steps to be gone through before a member can be appointed. All three levels of government have to concur before an appointment is valid. The entire process of appointing an unpaid volunteer has been known to take more than two months.

In the western provinces there have been recent moves to bring younger, more progressive people into local housing authority administration.[10] For the most part, the older and longer standing authorities have made little effort to exercise control over project managers or take a more active interest in tenant/management relations. The authorities' lack of interest aggravates an already serious problem with project managers, some of whom lack the necessary qualifications and temperament for sensitive social housing management.

Quebec has its own peculiar institution — the Municipal Housing Bureau — which is a bastardization of the local housing authority concept. Unlike the local housing authorities, the Municipal Housing Bureaus are tied quite closely to the multi-purpose municipal administration. In the City of Montreal, for example, three City Commissioners sit on the Housing Bureau. The Bureau itself continues to operate as a special purpose body, its staff concerned only with the immediate problem at hand — low-income housing.

Although formally responsibility rests with the local housing authority, the project manager has a large role in tenant selection, policing of the project, and evictions, as well as maintenance. Board meetings, for many authorities, are infrequent and those held are brief. None of the authorities appear to have adopted general management policy guidelines and most decisions are ad hoc, with substantial authority delegated to the project manager. The level of tenant satisfaction with the project generally, and the maintenance in particular, appears to vary with the attitude of the project manager and the degree of concern he evinces for serving the tenants' needs. The LHA system is used primarily in smaller centres with scattered small scale projects; an environment that increases the paternalistic control of the project manager. In some cities, the problems of maintenance delay with off-site project managers are being met through the use of resident caretakers or maintenance staff who are themselves public housing tenants. The system — a further outgrowth of the belief in the virtues of amateurism that is entrenched in the local housing authority system — appears to be working quite well.

PROFESSIONAL MANAGEMENT SERVICE

Ontario, faced with a problem of much greater scale and complexity, has experimented with a quite different approach and has attempted to set up a centralized, professional, efficient management service. This has led to over-

[10] One example is Edmonton where the authority, created some two years ago to manage its first project, appears to be active and concerned. A second is Regina where the more conservative members of the existing authority have been recently replaced by what appear to be progressive professionals in the fields of law, social work, medicine, etc., who are predominantly in their mid thirties. This reflects, in the Edmonton case, the interest in the City in making public housing work and, in the Regina case, the efforts of a new CMHC branch manager and a new Mayor to revitalize the program.

management in Toronto, where OHC's head office is located, and inadequate concentration on the problems of other centres. All field staff are located in Toronto and they make periodic trips to projects outside that city. Even minor decisions are made centrally, with attendant delays and lack of responsiveness to local needs. For example, any purchase exceeding $100 must be approved by the Toronto Office. Not surprisingly, this has led to local housing authorities placing several orders for small quantities of supplies, rather than one large order, to evade the limitation.

Separate administrative units exist for tenant selection, project management, project maintenance, and community relations. Project management is concerned with tenant conduct and its effect on the other tenants and the project itself. Community relations is concerned with social problems of the tenants. Complaints regarding building conditions go to the project maintenance group, which is not responsible to the project manager. Instead, a maintenance manager reports to an area supervisor who in turn reports to the Director of Operations. On occasion, maintenance work is contracted out. Because the problems that arise in each of these several areas are so clearly related, and because of the consequent uncertainty about which is the correct department to approach, what should have been a simple efficient service has instead become a highly complex organizational structure. Tenants in Metro Toronto wishing to file a complaint are unable to determine where to do so. Local housing authority staffs outside Toronto have similar communication problems.

In order to lessen some of the difficulties presented by this complex chain of command, OHC has tried contracting out building management in three cases. The best known example is St. Jamestown, where the developer — probably in order to protect his investment in the adjoining units which he owns and operates — offered to manage the public housing project for a fee. Now all management functions, with the exception of tenant selection and eviction and major building improvements, have been transferred to the developer.

In property maintenance terms, the experiment appears to have been a success. Unfortunately, again as a result of the interrelatedness of many project management problems, OHC has been reluctant to respond to various tenant complaints; instead OHC has merely cited the management agreement, which places all or part of the complaint within the aegis of the developer. The technique has failed to address itself to the social aspects, as distinct from the shelter aspects, of low-income housing.

Because of the need to add sufficient staff to manage a portfolio which has grown from 5,000 units in 1968 to 10,000 in 1969 and to 20,000 in 1970, there has been little opportunity to evaluate management practices and to develop general management policies. There is no up-to-date manual or series of regulations informing either staff or tenants how projects are expected to be operated. As a result, not unlike the LHA system, the quality of management depends on the skill and judgement of individual managers. A consultant review of the centralized management system and of the quality of management is presently underway, jointly funded by the federal and provincial agencies.

TENANT MANAGEMENT

The other major experiment in project management is the Little Mountain project in Vancouver. There, following complaints about the work of the project manager, the BCHMC agreed to transfer certain management functions, including rent collection, to a committee of tenants of the project. The committee acts as an information centre, passing on complaints to the Commission and providing advice to individual tenants. The committee also follows up requests for maintenance services to ensure that the repairs are completed. The authority delegated to the committee tends to be either related to physical maintenance or relatively routine in nature, involving little administrative discretion. The primary operating function of tenant selection and eviction, and overall control of project management, continues to rest with BCHMC. This system reflects the highly centralized structure of the Housing Management Commission, provincial concerns regarding the possible loss of efficiency and economies of scale in project level decentralizations, and tenant reluctance to push too hard.

The BCHMC has recently indicated to the provincial tenants association its satisfaction with the arrangement and its willingness to enter into similar arrangements for other projects and is awaiting a request from a tenants' group.

PROJECT MANAGERS

CMHC memoranda have stressed the need to develop more socially responsive management. Because of the absence of policy guidelines and the wide latitude and discretion left to project managers, their attitudes and capabilities are crucial to the achievement of that goal.

In February of 1972, the Policy Planning Division of CMHC undertook a review of public housing managers in Canada, examining their age, education, occupational background, and length of tenure. Information was available for all provinces except Quebec. The data for the province of Ontario apply only to projects managed by local housing authorities in smaller metropolitan and major urban centres, but OHC records indicate that the backgrounds of those employed by the provincial corporation are substantially similar. Some provinces reported only full time managers and others reported both full and part time ones. The results are set out in the following tables. For the whole country, 56 per cent of managers were fifty years of age or older and 79 per cent were forty or over. Public housing management is not a young man's occupation. 68 per cent of public housing managers had no post secondary education. 38 per cent had not completed high school. These are further indications of the professional status of managers.

The majority of managers have backgrounds in real estate, other commercial activities, and civil service occupations unrelated to housing. Only 3 per cent have backgrounds related to social service work. As one would expect, in light of the substantial increase in production recently, the great majority have been public housing managers for less than five years.

Looking at age, education, and occupational background, it is clear that some managers will not be particularly sympathetic to the social problems of their tenants. That does not apply to all of them. In several projects observed

it was clear that public housing managers were doing an excellent job and that the tenants were concerned about their possible retirement and replacement by less desirable managers. But the overall picture demonstrates the need to upgrade the professional qualifications of present managers and to attract younger people with social orientations.

In other words, public housing management should become a profession and should merit professional remuneration. A review of the salary levels

Table 3

PUBLIC HOUSING MANAGERS, CANADA — 1972:

BY AGE

	No.	%
<30	5	5
30-9	15	16
40-9	22	23
50-9	28	29
60-9	23	24
>70	3	3
Total	96	100

BY LENGTH OF TIME AS MANAGER

	No.	%
<2 yrs.	36	35
2.5 yrs.	53	51
>5 yrs.	15	14
Total	104	100

BY EDUCATION

	No.	%
Public school	14	15.2
Partial high school	21	23
Completed high school	27	29.3
Partial university	4	4.3
University degree	11	12
Other post-secondary education	15	16.2
Total	92	100

BY OCCUPATIONAL BACKGROUND

	No.	%
Real Estate; Insurance; Property Management	14	14.5
Other Managerial and Administration	41	42
Civil Service — provincial or municipal	14	14.5
RCMP; Armed Forces	6	6
Clerical; Accounting; Justice of Peace	3	3
Blue Collar (laborer, sales)	16	17
Social Services (includes clergy)	3	3
Total	97	100

SOURCE: Policy Planning Division, CMHC.

Table 4

PUBLIC HOUSING MANAGERS, PROVINCES — 1972:

BY AGE

	B.C.		*Alta.*		*Sask.*		*Man.*		*Ont.*		*N.B.*		*N.S.*		*P.E.I.*		*Nfld.*	
	No.	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*
<30	—	—	1	33.3	1	3	1	7	—	—	1	14	—	—	—	—	1	50
30-9	2	40	1	33.3	5	16	1	7	2	13.3	1	14	3	19				
40-9					7	23	9	60	2	13.3			2	12	1	50	1	50
50-9	1	20	1	33.3	7	23	2	13	5	33.3	5	72	6	38	1	50		
60-9	2	40			8	26	2	13	6	40.1			5	31				
>70					3	9												
TOTAL	5	100	3	100	31	100	15	100	15	100	7	100	16	100	2	100	2	100

BY LENGTH OF TIME AS MANAGER

	B.C.		*Alta.*		*Sask.*		*Man.*		*Ont.*		*N.B.*		*N.S.*		*P.E.I.*		*Nfld.*	
	No.	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*
<2 yrs.	—	—	1	33.3	10	32	11	44	4	28	5	72	2	13	1	50	2	100
2.5 yrs.	2	40	1	33.3	17	55	14	56	5	36	1	14	12	80	1	50	—	—
>5 yrs.	3	60	1	33.3	4	13	—	—	5	36	1	14	1	7	—	—	—	—
TOTAL.	5	100	3	100	31	100	25	100	14	100	7	100	25	100	2	100	2	100

BY EDUCATION

	B.C.		Alta.		Sask.		Man.		Ont.		N.B.		N.S.		P.E.I.		Nfld.	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
P.S.	6	100	—	—	8	27	—	—	—	—	—	—	—	—	—	—	—	—
Some H.S.	—	—	—	—	7	23	6	40	3	23	—	—	3	22	2	100	—	—
H.S.	—	—	2	67	10	33	4	27	1	8	2	29	8	57	—	—	—	—
Some Univ.	—	—	—	—	2	7	—	—	—	—	—	—	2	14	—	—	—	—
University	—	—	1	33	1	3	2	13	3	23	3	42	1	7	—	—	—	—
P.S.E.	—	—	—	—	2	7	3	20	6	46	2	29	—	—	—	—	2	100
TOTAL	6	100	3	100	30	100	15	100	13	100	7	100	14	100	2	100	2	100

BY OCCUPATIONAL BACKGROUND

	B.C.		Alta.		Sask.		Man.		Ont.		N.B.		N.S.		P.E.I.		Nfld.	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
(1)	—	—	1	25	8	27	3	20	1	7	—	—	1	6	—	—	—	—
(2)	—	—	—	—	13	43	6	40	9	60	4	57	7	44	—	—	2	100
(3)	6	100	3	75	1	3	1	7	2	13	1	14	—	—	—	—	—	—
(4)	—	—	—	—	2	7	—		—		2	29	2	12	—	—	—	—
(5)	—	—	—	—	1	3	2	13	—	—	—	—	—	—	—	—	—	—
(6)	—	—	—	—	5	17	1	7	2	13	—	—	6	38	2	100	—	—
(7)	—	—	—	—	—	—	2	13	1	7	—	—	—	—	—	—	—	—
TOTAL	6	100	4	100	30	100	15	100	15	100	7	100	16	100	2	100	2	100

(1) Real Estate; Insurance; Property Management
(2) Other Managerial and Administration
(3) Civil Service — provincial or municipal
(4) RCMP; Armed Forces
(5) Clerical; Accounting; Justice of Peace
(6) Blue Collar (laborer, sales)
(7) Social Services (includes clergy)

SOURCE: Policy Planning Division, CMHC.

for full and part-time managers in most of the provinces (Ontario and Quebec excepted) revealed very low levels in some, wide disparities in salaries paid for equivalent work in others, and no pattern at all in still others.

Efforts to upgrade management skills and qualifications to date amount to two one-week seminars, one held in the Maritimes and one in the Prairies, early in 1971. There has been no follow up. No ongoing program is foreseen. Ontario has sent staff members to a course at a community college but it deals with property management rather than social housing management. Senior officials in OHC have suggested to CMHC the establishment of an Institute of Public Housing Management, to be sponsored by CMHC and all the provincial agencies. The need for more responsive management is understood; this study recommends that it apply not only to public housing managers, but to those involved in all social housing programs.

Tenants' Rights and Tenants Associations

THE PUBLIC HOUSING LEASE

It was only in 1970 that public housing tenants acquired leases. Until that time they took possession under oral agreements. As part of the 1969 guidelines a model lease was prepared which most of the provinces have adopted intact or modified to suit their own needs. The draftsman did not address himself to a persistent complaint of tenants, that nobody but a lawyer can understand a document drafted in legal jargon. Low income tenants, frequently with lower levels of education, have even more problems than middle income lessees. A recent tenant request in Ontario to revise the wording of the lease was refused by Ontario Housing Corporation.[20]

Another major failing of the document is the preservation of the month to month lease as the form of tenure. While rent reductions increased the period during which it would be financially practical to remain a tenant, the lease does not provide real security of tenure. The public landlord can terminate the lease on one month's notice, without cause, and the tenant's sole redress is through the political process. It is not the actual exercise of that arbitrary power, but the mere potential use of it which serves to keep public housing tenants concerned and, with some exceptions, passive in their relations with project administrators.

The lease is inadequate in a number of other respects. The landlord is not specifically obligated to keep the project in repair (as distinct from individual units), to maintain common areas and open spaces, to provide certain soft services like security, to enforce the lease equally against all tenants. The landlord is given the power to impose rules and regulations on the use of the project, beyond those established in the lease itself. These usually go beyond rules dealing with the preservation of the property and go much further into the regulation of conduct to protect the other residents of the building.

[20] Lawyers acting for the Regent Park Tenants' Association attempted to persuade OHC to adopt a much simplified version in every day language, but the Corporation was unwilling to do so for fear that it would lose the certainty and protection which the traditional language afforded it.

Such provisions mirror those found in standard form private leases offered to tenants by large private landlords. They go no further in imposing obligations on public landlords, despite the fact that these are all services which the housing authority or provincial corporation in fact undertakes and, for the performance of some of which it is legally responsible to CMHC. As matters now stand, a tenant cannot sue the managing authority to perform these obligations.

The lease should be revised to provide the tenant with a fixed term, corresponding with the period for which rent is frozen. It should also be changed to obligate the landlord to provide all those services which he would normally provide. That will give the tenant *legal* power to compel the landlord to fulfill those obligations. Whether individual tenants would exercise those rights is another question. It remains doubtful that they will know of their existence and understand them. Even if they do, poor people are, with good cause, notoriously reluctant to trust courts and legal processes to protect them. It will take quite a while for legal aid and storefront lawyers to overcome that reluctance. Even with knowledge of their rights and confidence in the courts, public housing tenants will still hesitate to act individually. Fear of retaliation and harassment will persist. Many of them have been taught for most of their lives that they cannot beat the system.

FUNDING TENANTS' GROUP

To instil the necessary confidence, group action is required. In the last three or four years a large number of tenants' associations have been organized to do for public housing tenants what unions did for labour long ago; to give individuals who would not act alone the power, through collective action, to seek necessary reforms.

The federal government responded to that development. In his speech introducing the public housing guidelines, the federal Minister stated "that giving tenants some voice in the administration of their project is a matter of social justice and would help to encourage a new and healthier outlook all around."

On May 8, 1970, CMHC field staff were advised that the federal government was prepared to make grants under Part V of the NHA to encourage the formation and effective operation of tenants' associations and that where a province wished to participate, the cost could be considered under sections 40 and 44 as an operating cost of the project.

The associations thus funded were expected to result in tenant participation in the areas of physical improvements, community service, management policies, and the resolution of grievances.[21] Through their associations, tenants could be consulted on annual budget preparations to determine priorities and could review maintenance operations. They could assist residents by identifying social needs and joining with management to approach appropriate local agencies. They could act as a forum for tenants to express their views about management policies and to express objections to specific actions taken by management.

[21] *CMHC Memorandum*, May 8, 1970.

Not only would the associations submit grievances and enforce the performance of obligations. They would join with the authorities in planning for expenditures for the provision of necessary social services. They would join in the evaluation and review of management policies. They would, in effect, become partners in management.

Only Manitoba appears to clearly support the policy and presently be prepared to make grants. Other provinces are "reviewing the policy". Only Alberta has rejected the concept outright, although it has no objection to federal funding provided it is consulted.

While the initial notice to field staff indicated that CMHC was prepared to fund under Part V or under sections 40 and 44, if the provinces were prepared to participate, the Corporation now appears unwilling to fund associations itself and is insisting upon provincial participation. Part V will now be used to fund tenants' groups only where research is involved, but not for actual operations. This may reflect a feeling that Part V is an inappropriate vehicle for such funding, but it is more likely that it results from the general feeling that public housing is a matter of local jurisdiction and that the provinces must acquiesce in the funding of the associations. It also indicates an understanding of the political risks entailed and some backsliding towards older, safer positions.

The reasons for provincial hesitancy are best seen in the case of Ontario which has the greatest number of associations and has been under pressure both from CMHC and the tenants to participate in funding. For some period of time OHC took the position that it was considering the matter in depth and reviewing the American and British experience to obtain guidance as to the success or failure of schemes in this area. In interviews with a number of OHC personnel the position was strongly taken that tenant participation in management was not feasible. They feel that tenants in privately owned and operated buildings do not participate in management and public housing tenants should not be treated differently.

OHC is sensitive to the politics of the situation. The most severe criticism of the Corporation frequently comes from the tenants' associations. In a letter to the federal Minister, the provincial Minister observed:[22]

> We must be careful not to extend the grants to those who may not necessarily have the sole concern of public housing tenants in mind. OHC is performing an outstanding job in assessing and responding to the needs of its tenants and is generally aware of the persons involved in this sense and their motives.

Between the lines, one senses the general feeling that left-wing militant agitators are involved in the formation of such associations.

A similar concern may be seen in the refusal of OHC to participate in the funding of a proposed Ontario Public Housing Tenants Conference. A CMHC officer in the Ontario Region wrote:[23]

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[22] *Letter*, October 6, 1970.

[23] *CMHC Memorandum*, February 8, 1971.

> (OHC) believes that the members of the association are not constructively oriented . . . (they feel that) a conference would achieve publicity for public housing people that many of them do not want and would be an infringement of their right to privacy . . . There is no doubt that if a conference were held, OHC would find itself yet again under attack and it is understandable that they should wish to avoid this.

One device used to avoid making grants to tenants' associations has been the stipulation that if the tenants want grants they should be given on a dollar for dollar basis. (The public gives one dollar for every dollar the tenants raise themselves.) Presumably, this will encourage tenants' initiative.

OHC appeared for some time to follow an ad hoc policy of funding some tenants groups and not others. In Toronto, grants were made to the Edgeley and Regent Park Tenants' Associations, but not to those in Alexandra Park and St. Jamestown. The present position of the provincial Corporation is to refuse outright to make grants or to refer the associations to the Provincial Citizenship Branch. This effectively announces that the tenants' association does not have a meaningful role in the housing process and is simply a community association like any other.

Opinion on tenants' associations within OHC is not clear cut. Its Community Relations staff recognize the utility of tenants' associations for the identification of tenant problems of which OHC might otherwise be unaware. While community relations officers will not encourage or initiate the formation of a tenants' association, they will act in a supporting capacity when one is formed. Project managers see the associations as useful management aids in instilling pride and community spirit and thereby reducing vandalism and maintenance costs.

The same OHC officials who are strongly opposed to tenant management admit that they are pleased with the tenant inputs on the Regent Park Steering Committee and the Community Guardian Advisory Committee. However, they see little utility in such a process on the day to day project management level.

As a result, virtually all the tenants' associations in the province are restricted to presenting complaints about maintenance, providing social and recreational facilities like drop-in centres, weekend dances, and so on, and speaking up on behalf of tenants who have grievances.

THE DEVELOPMENT OF TENANTS' ASSOCIATIONS

Despite the lukewarm reception from the province, there are presently at least 88 public housing tenants' associations in Ontario, 67 of them in Metro Toronto. A few of the Toronto associations have memberships that span a wider community than the public housing developments. A provincial organization, the Ontario Housing Tenants' Association, has been formed to act as an umbrella organization for the individual groups. City-wide organizations also exist in Ottawa, Toronto, and Thunder Bay. The OHTA has arranged a conference of public housing residents in the province and is attempting to stimulate the creation of new associations. In September, 1971, it made arrangements

for the services of six volunteers from the Company of Young Canadians to provide organizing assistance in Toronto, under the direction of the OHTA. It has recently received a grant under the Local Initiatives Program to hire fourteen people to publish a newsletter. Formal meetings with OHC to discuss provincial policy have taken place.

Provincial organizations have also been formed in Manitoba, Nova Scotia, and British Columbia. The Manitoba group is a federation of local associations, which have received strong support from the province which has unequivocally accepted the federal offer to share funding costs. Two-thirds of all projects have associations. The Tenant Relations Officers of both the provincial Corporation and the Winnipeg Housing Authority are encouraging the formation of associations, primarily as conduits for the communication of grievances. The MHRC has arranged with a local social service agency in Winnipeg to provide organizational assistance.

The British Columbia group, the B.C. Interproject Council, is the result of a broadening of a city-wide organization in Vancouver. More than three-quarters of the projects in the Vancouver area have associations and most public housing in the province is located in that area. The original Vancouver Interproject Council was funded by the federal government alone. The province appears to find the provincial organization useful. The latter has pressed for alternative forms of providing low-income housing, including cooperative tenure. It is presently engaged, with the Vancouver Social Planning Department, in a survey of recreation needs in public housing. The provincial Housing Management Commission is concerned with that problem and is sharing part of the cost.

A committee has been elected by representatives of public housing tenants in Quebec to organize a provincial organization. Interim funding has been received from QHC. In several of the provinces which do not have province-wide organizations, there are associations in major centres which attempt to speak, although faintly, for all the public housing tenants in the province. There are also private provincial tenants' associations in five of the provinces, some of which occasionally concern themselves with public housing problems.

In May of 1971, a National Conference of Public Housing Tenants was held in Ottawa, the costs underwritten by the federal government and some of the provinces. A decision was taken at that conference to form a National Association. Ongoing funding was sought from CMHC, which made a grant of \$15,000 outright plus up to \$7,500 on a matching basis with funds raised elsewhere. Only \$500 has been raised from other sources. Whether the association will be born at all remains in doubt.

A hierarchy of organizations appears to be forming, although the picture is in a state of flux. At the bottom there is a rapidly expanding group of project associations, concerned with questions of maintenance, social and recreational facilities and activities and specific grievances. In at least eight major centres, city-wide federations of associations exist. In four provinces, provincial associations have emerged, two of which (Manitoba and B.C.) are

clearly representative of local associations. In five of the provinces, private tenants' associations are also present, as is the case in many metropolitan centres. The role of city-wide and provincial public housing tenants' associations is unclear. None appear to have been able to make any impact on policy formulation, although all are young and may develop more influence with time.

The Cost of Public Housing Subsidies

Potential subsidy burdens have been a key factor in policy decisions relating to the planning, building, and operating of public housing. Actual subsidy levels have not been the subject of close scrutiny and little effort has been expended in projecting likely future levels. Until this study was undertaken, the annual rate of increase in costs was not known. The state of CMHC and provincial accounting records make attempts at detailed projections hazardous. Only Ontario and New Brunswick have submitted claims for subsidy under section 44 of the NHA. Most provinces are one and a half to two years behind in their billings and the last year for which information is available for section 40 subsidies is 1969. Until recently Ontario was the only province which even submitted a budget setting out anticipated operating losses. Since mid 1971, the federal agency has required budget estimates from the provinces. Budgeting, however, remains very inaccurate.

The published data in Canadian Housing Statistics are not very helpful. They present the total subsidy payments for the year and the number of rental housing projects liable for subsidy. It is not clear whether the latter consist of projects for which a section 44 agreement has been signed (that is, at the time of publication, all section 43 projects except those in Quebec and a few full recovery projects elsewhere), or only those units completed by the end of 1970. If it includes all approved units outside Quebec, then the usual process of dividing units into total subsidy level grossly understates the actual per unit subsidy, as the subsidy total is being averaged over total approvals, which includes projects not yet constructed and occupied and therefore producing no operating losses.

Available data only cover subsidy levels under section 43 in the province of Ontario from 1966 to 1970.[24] For the first three years, they cover actual payments and actual number of units. For the last two years they cover billings by the province under the subsidy-sharing agreement. The figures are contained in Tables 5, 6 and 7.

Table 5 shows the number of section 43 units in existence in Ontario year by year, and the total Federal payment for these units. These totals are *cumulative*, so that the figure for 1970 covers all subsidies on units built since 1965. The Federal subsidy per unit is derived from the first two columns. The total subsidy per unit is derived from the information in Table 6.

[24] These data cover some 21,000 units and are more comprehensive than the section 40 figures, which are also reproduced below.

Table 5

ANNUAL SUBSIDY LEVELS, ONTARIO, SECTION 43 — 1966 - 1970

Year	*Units*	*Total Federal Payment*	*Federal Share of Subsidy*	*Total Subsidy per Unit*	*Rate of Increase of Subsidy*
1966..........	1045	$ 257,780	$245	$492	
1967..........	3688	1,029,987	279	558	14%
1968..........	5944	1,854,000	310	624	11%
1969..........	11362	4,130,889	364	737	18%
1970..........	21409	10,466,605	489	978	33%

SOURCE: Urban Renewal and Public Housing Division, CMHC.

Table 6

AVERAGE MONTHLY REVENUES, EXPENSES, SUBSIDIES PER UNIT, ONTARIO, SECTION 43 — 1966 - 1970

	Average Revenue/Unit	*Average Expenditure*	*Average Subsidy*
1966.....................	101.19	142.30	41.11
1967.....................	90.64	137.16	46.52
1968.....................	85.24	137.24	52.00
1969.....................	83.42	144.86	61.44
1970 (estimated)...........	83.00	164.50	81.50

SOURCE: Urban Renewal and Public Housing Division, CMHC.

Table 7

AVERAGE CAPITAL COST, SECTION 43 PROJECTS (FROM LOAN APPROVALS) — 1966 - 1970

1966..................................	$13,250
1967..................................	15,080
1968..................................	14,444
1969..................................	14,534
1970..................................	15,201

SOURCES: *Canadian Housing Statistics*, Table 48, and Economics and Statistics Division, CMHC. 1966 and 1967 all Canada (more than 90% Ontario); 1968 to 1970 Ontario only.

The total subsidy per unit in public housing projects as shown in Table 5 has been increasing at an alarming rate. The subsidy for 1970 was a full 33 per cent higher than for 1969.

Table 6 shows a breakdown of this total subsidy per unit. The subsidy is the difference between the expenditure and the revenue for the unit. These figures are expressed on a monthly basis. Table 6 indicates that the subsidy has been increasing because capital and operating expenditures have been rising while rental revenues have been declining.

As shown in Table 7, the capital cost per unit in public housing projects has been rising, but not at the rate of the gross expenditures shown in Table 6. We should note that loans approved in a given year usually result

in units being produced one to one-and-one-half years later. Thus, except for 1966 (when a substantial number of units were purchased), capital costs for a given year should be read against operating expenses of the next year, as a rough guide to the impact of changes in capital cost on cumulative subsidy totals.

The operating expenses per unit per month are shown in Table 8 for the years up to 1969. Amortization payments, taxes and other operating expenses have all been rising over this period. Table 9 shows the interest rates applicable to loans for public housing projects.

Table 8

AVERAGE MONTHLY AMORTIZATION, TAXES, OTHER OPERATING EXPENSES, ONTARIO, SECTION 43 — 1966 - 1969

	Amortization	*Taxes*	*Other*
1966	$67.80	29.15	45.35
1967	69.05	29.02	39.09
1968	70.37	27.52	39.35
1969	74.51	30.48	39.87

SOURCE: Urban Renewal and Public Housing Division, CMHC.

Table 9

NHA INTEREST RATES FOR PUBLIC HOUSING PROJECTS — 1966 - 1970

	Jan.	*Feb.*	*Mar.*	*Apr.*	*May*	*June*
1966	5.750	5.750	5.750	5.750	5.875	5.875
1967	6.125	6.000	6.000	5.750	5.750	5.750
1968	6.875	6.875	6.875	6.875	6.875	6.875
1969	6.875	6.875	6.875	6.875	6.875	6.875
1970	7.875	7.875	7.875	7.875	7.875	7.875
	July	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*
1966	5.875	5.875	5.875	6.125	6.125	6.125
1967	6.250	6.250	6.250	6.375	6.375	6.375
1968	6.875	6.875	6.875	6.875	6.875	6.875
1969	6.875	6.875	7.875	7.875	7.875	7.875
1970	7.875	7.875	7.875	7.875	7.875	7.875

SOURCE: *Canadian Housing Statistics, 1970*, Table 75.

From these Tables it is clear that the cumulative per unit subsidy for section 40 projects is increasing at a rate of about 14 per cent per year, excluding the unusual jump in 1970. Including 1970, the rate was 19 per cent per year. In part that increase is explained by the decline in revenues shown in Table 6 from 1966 to 1968. The first units were acquired with tenants whose leases were continued. Revenues were, therefore, higher during that period. From 1968 to 1970, revenues appear to have stabilized. From 1968 to 1970, most of the increase in subsidies appears to stem from an increase in operating expenses. For 1969, the major part of that increase came from

increased amortization charges, probably reflecting in part the increase in interest rates in 1968.

Although a breakdown is not available for the amortization element of 1970 subsidies, it likely has increased as well, with the higher interest rates paid in 1968-69, and particularly in the latter part of 1969. The rest of the increase must result from increased taxes and maintenance costs. (Preliminary estimates show that while the number of occupied units in Metro Toronto almost doubled, operating costs rose by 350 per cent. That is, they increased by approximately 75 per cent per unit.)

Given this information. what are future subsidy levels likely to be over the next decade? Units approved in 1970 had a capital cost 5 per cent higher than those approved in 1968 and 1969. With a greater emphasis on family units, that trend should continue and will probably accelerate. Amortization will be further increased. All projects approved in 1970 and early 1971 were at an interest rate of 7⅞ per cent. From 1966 to 1970, taxes remained steady and operating expenses declined. This tax position should be compared with that of new NHA bungalows, on which taxes increased by 62 per cent during the period. With increased demand for community facilities and services, and with rising labour costs, these expenses are certain to increase.

The program is confronting higher capital costs, taxes, interest rates, and, probably, operating expenses, compared to those reflected in present subsidy levels. Revenues do not seem to be increasing. With the changes made in 1970 in the rent-to-income scale, in the allowable deductions, and in the rent review periods, and with an increasing proportion of elderly tenants, increases in revenues are unlikely.

Under the circumstances, an increase of 10 per cent per year in average subsidy levels is to be expected. This figure is conservative when compared to the historic rate of growth of these subsidies. From a base of $978 in 1970, subsidy levels in 1980 would be approximately $2,533 per unit if growth were compounded annually at 10 per cent. If they were to increase at 15 per cent annually, 1980 averages would be $4,137 per unit.

Table 10 presents for four years, data on section 40 projects for comparison with the previous data on section 43 projects. The rate of growth of the subsidy was even greater in the case of section 40 projects than it was for section 43 projects in comparable years.

Table 10

AVERAGE MONTHLY REVENUES, EXPENSES, TAXES, AMORTIZATION, SUBSIDIES, SECTION 40 — 1966 - 1969

	Revenue	*All Expenses*	*Taxes*	*Amortization*	*Subsidy*	*Rate of Growth*
1966......	$67	$ 96	$17	$47	$29	
1967......	65	103	18	48	38	31%
1968......	67	114	21	52	47	24%
1969......	59	125	23	60	66	40%

SOURCE: Urban Renewal and Public Housing Division, CMHC.

Reference to Table 10 for section 40 projects again indicates that the 10 per cent growth rate is conservative. The increase in the case of section 40 projects was 32 per cent per year for the three years 1966-1969. As the rate of increase in production of public housing units has probably continued at 10 per cent per year (1968 and 1969 approvals over 1967 base), and as subsidy payments rose by about one-quarter in 1969 and one third in 1970, it is likely that the rate of increase in subsidy levels under that program continues to be rapid.

Sections 40 and 43 projects, then, will involve high subsidy costs over the coming decade, with subsidies of $2,500 per unit quite likely.

The magnitude of those anticipated subsidy levels is alarming. It means that at existing levels of production (i.e. 20,000 units per year), the total subsidy level will be somewhere between $625 million and $750 million per year. And Canada would not have begun to put a dent in the problem. Deeply subsidized units would comprise only some 3 per cent of the total stock.

There is one other aspect of subsidy cost worth noting and that is the way in which subsidies are shared and the manner in which that affects the distribution of program funds.

The Maritime provinces in particular claim that the sharing of subsidy costs penalizes the poorer provinces which have weaker tax bases and deeper subsidies because of lower incomes. The result, they claim, is that less extensive use is made of the program and a disproportionate share of funds under the program go to the wealthier provinces with higher growth rates, rather than to the poorer provinces which have the worst housing conditions. Sympathetic to that argument, CMHC officials in 1965 advocated that the federal government bear an increased share of subsidy costs. Officials of the Department of Finance have opposed such changes. They argue that general equalization of revenues is intended to redress regional imbalances in tax revenues and that should not be done on a program basis. The DREE programs have developed as the one exception to that position.

All the provinces have in turn passed on part of the costs which they must bear to the municipalities which must in fact request the projects. The acceptability of the program to the municipalities has varied with the extent of the burden passed on to them. As can be seen in Table 11 those provinces which have wanted to push the program quickly have passed on smaller fractions of the cost. Manitoba is the clearest example, having shifted recently from the requirement that the municipalities pay half the provincial share to the complete assumption of the burden by the province.

The province of Quebec has vigorously implemented its program in the last several years. In that short time, the magnitude of the subsidies has not yet been appreciated. As these become clear, it is possible that Quebec cities, with their heavy burdens of debt charges, will not be able to meet the obligation to pay twenty-five per cent of subsidies, and will be forced to cut back the program when it is barely underway.

Table 11

SHARE OF CAPITAL OUTLAY AND SUBSIDY BY LEVEL OF GOVERNMENT AND PROVINCE, NATIONAL HOUSING ACT, SECTIONS 40 AND 43 — 1972

	SECTION 40						SECTION 43					
	Capital Outlay			Subsidy			Capital Outlay			Subsidy		
	Fed.	Prov.	Mun.	Fed.	Prov.	Mun.	Fed.	Prov.	Mun.	Fed.	Prov.	Mun.
Newfoundland[1]	75	25	0	75	12	12½	90	10	0	50	50	0
P.E.I.[2]	75	12½	12½	75	12½	12½						
Nova Scotia	75	25	0	75	12½	12½	90	10	0	50	*[4]	*[4]
New Brunswick	75	15	10	75	10	15	90	10	0	50	45-50[5]	0-5[5]
Quebec[3]							90	5	5	50	25	25
Ontario[3]							90	10	0	50	42½	7½
Manitoba[3]							90	10	0	50	50	0
Saskatchewan[2]	75	20	5	75	20	5						
Alberta	75	15	10	75	15	10	90	0	10	50	40	10
B.C.[2]	75	25	0	75	12½	12½						

[1] The city of St. John's supplies 12½ per cent of the capital requirements as well as covering 12½ per cent of the operating losses.
[2] Section 43 not used.
[3] Section 40 no longer used.
[4] Provincial subsidy is based on the Education Foundation scale which varies from municipality to municipality.
[5] Designated growth areas do not have to contribute to the coverage of operating losses, whereas other areas must cover 5 per cent of these losses.

SOURCE: Urban Renewal and Public Housing Division, CMHC.

Recommendations

This report strongly recommends that the public housing program in its present form (the construction of new, highly-subsidized units to be owned by the public and occupied only by the poor) be abandoned. Some of the reasons for so doing are contained in our review of program performance: the poor locations found for residual housing; problems of design caused by cost cutting or attempts to build outstanding housing for the poor; high density, high-rise housing dictated by cost concerns; insensitive management that treats public housing tenants as welfare clients; the negative attitudes of administrators, surrounding neighbourhoods, and the public generally. All are aspects of the stigma inherent in a program aimed only at the poor.

It is time that Canada stopped building projects for occupancy by poor people alone. There are a number of ways in which that could be done, while maintaining a public role in the supply of low-income housing. This study's preference, discussed in detail below, is for the payment of income supplements (shelter allowances) to low-income households, who can then choose to rent or buy existing private units or to seek accommodation in public projects serving a broad income band, including the middle income group. Alternatively, new units could be publicly built, some of which would be deeply subsidized, depending on the income level of the particular household. Or whole existing buildings could be purchased and low-income tenants gradually mixed in with existing moderate income ones, or blocks of units could be leased for low-income use in existing middle income buildings.

Each of these techniques, except leasing, involves government in a conscious decision to compete with private builders in the provision of rental housing for the majority of Canadian tenants. The benefits would be immediate. Low-income tenants would no longer be subjected to the stigma of a welfare service. Project planning and operation would improve as administrators would have to respond to an articulate middle income constituency, better able to bring pressure to bear, paying their own way and unwilling to accept second best. Increased loan funds would be necessary to provide the same number of units to the low-income group, as a matching proportion of middle income units would be funded. Some of those additional moneys could be found by rechanneling section 15 (entrepreneurial) and 58 (assisted home-ownership) funds to the expanded public housing program.

Substantial changes are required in the method in which government plans for public housing (and indeed all low-income housing). The federal government must be prepared to allocate funds for more than one year at a time. That is a prerequisite to even medium range provincial planning. The system of checks and balances, under which either one of the senior levels is in charge of planning and building the units and the other reserves a veto power, is obsolete and should be scrapped.

To that end, the partnership provisions of the legislation should be abandoned. (CMHC officials have recommended that change for the last decade.) Program planning and administration should be acknowledged to be a

provincial responsibility. Those provinces which do not wish to establish large organizations for that purpose (i.e. those that would otherwise continue to rely on the federal agency as a senior partner) should be able to obtain assistance from the federal government, on a fee for service basis. Those provinces which have assumed responsibility for programs or are prepared to do so, should be given full day to day control of programs.

The federal approval function entails a considerable duplication of time and manpower as CMHC officials go through the same processes as provincial staffs. It has the additional disadvantage of keeping federal public housing officials and corporation management so mired in the details of individual projects that there is no time to review the program as a whole.

Block loans of the type made to Quebec, should be available to all provinces wishing them. At present, even where individual project approvals continue, federal leverage remains minimal, as can be seen in the small number of projects rejected. More important than formal approving authority are informal linkages between senior regional personnel of CMHC and provincial officials. Those contacts, together with the need to secure budget approvals annually, have more influence on provincial decisions than the formal approving power.

While overall responsibility for program planning should be provincial, the development and administration of individual projects and the planning for program delivery in particular municipalities should be a municipal function, at least in those cities which have the necessary capability or can quickly develop it. That allocation of responsibility has been federal policy since 1949. It is the pattern in most European countries and in the U.S.

Because the provision of low-income housing is not recognized as a municipal responsibility in most parts of the country, the developmental process is an adversary one. Provinces, acting through developers, seek planning permission which is frequently opposed by municipal councils and local residents. Again, there is the problem of separate developmental and approving authorities. There are difficulties coordinating the provision of the necessary recreation, education, welfare, police services, and so on, at the local level, with provincial housing development decisions. Planning and management decisions, made at provincial head offices, are comfortably insulated from feedback from local residents and project users on the adequacy of the service provided. Complaints to local elected representatives would be more effective. They cannot be met with the answer — that's only one of twenty thousand (or in the future, fifty or one hundred thousand) units which we operate.

This study therefore recommends that the federal government strongly encourage the provinces to delegate decision authority in this area to metropolitan or regional governments. That delegation could be on an individual project basis, and in the case of larger, well staffed cities, on a block loans basis. The most successful means of encouragement would likely be financial. Where projects are to be built and owned by municipalities, the federal government should fund one hundred per cent of the cost, but if the provinces insist on

building them themselves, the federal government should only lend two-thirds of cost.

At whatever level the program is administered, some steps must be taken to improve project location, design and facilities. The requirement of a suitable location within reasonable distance of community facilities, transportation, and employment for low-income persons must be written into the legislation in general terms as a statutory directive to program administrators. The effect of the statutory directive, however, would be primarily hortatory since it would be difficult to put teeth in such a provision. What is required in addition is far greater public initiative and control over the supply or urban land and its price to ensure the availability of adequate land for social housing purposes. The necessary steps are suggested in the recommendations on land assembly and land banking contained in chapter 9.

To improve design aspects and project facilities, controls on project scale, clustering, unit density, and child density are required. Those would better be set by administrative regulation than by statute. Where block loans are made, they would be negotiated as part of the lending program, and become internal regulations binding the Corporation.

To provide more responsive management, the legislation should spell out what is, in effect, a tenant's bill of rights applying to all rental housing funded under the NHA. It would include rights: of security of tenure; of quiet possession; to the provision of necessary building services; to reasonable rules and regulations; of freedom of association, etc. Any borrower would have to agree to be bound by such provisions. The federal housing agency could then prepare a model lease to give the provisions effect.

Serious efforts to upgrade management competence would have to be made. This would involve a real effort to recruit socially-oriented managers, improve the training of capable existing ones, and press the April 1970 initiatives much more strongly. An Institute of Social Housing Management is recommended as part of that process.

Along with an improvement in tenants' statutory and leasehold rights and in management practices, there will be an increased emphasis on action as a political pressure group.

We have suggested, as federal officials did in 1969, that public housing managers must be better trained, more socially aware and more responsive. That kind of change is not imposed top down. It results from pressure, political pressure, from the recipients of the service. Individuals are unable to exert it. Group action is required. If the federal government were itself administering the project, it is unlikely that it would fund the tenants' groups to criticize it. It is precisely because it has some political distance from the situation that it can afford to give financial and technical assistance to tenants' associations. Similarly, proximity to the political heat leads the provinces to be leery. The federal government (if it believes in participatory democracy) must be prepared to make grants to tenants' associations, regardless of provincial opposition or refusal to contribute.

That activity would be in keeping with the freedom of association which

should be guaranteed in the lease. It would recognize not only the right of the public to control the level of subsidies provided by the Treasury but also the right of a tenant whose rent goes toward the provision of management services and toward the acquisition of property by the state to influence the level of housing services provided. It might also lead to the moderation of tenants' requests, if they are in a position not merely to demand, but to decide upon priorities with limited resources.

The federal leadership will be inadequate if it merely consists of funding tenants' groups to put pressure on provinces and cities. It must also lead by bringing representatives of tenants' organizations into its own policy planning process and into its reviews and evaluation of program performance.

Associations have been developed at the project, metropolitan and provincial levels and one may develop at the federal level. In some cases they have had provincial support, in others they have developed despite provincial dislike for the idea. There is little doubt that tenants will acquire an increased influence on the administration of the projects in which they live and perhaps in the operation of the entire program. The question is the organizational form in which they will be permitted to speak.

There are a number of possibilities. Early federal thinking regarded the role of tenants' groups as basically consultative. They would advise, when asked, on the formulation of budgets, particularly on necessary expenditures for their projects. They would assist in reviews of maintenance practices. They would, together with public housing officials, direct tenants in need of assistance to the appropriate social service agencies. They would also directly provide some social services not provided by housing agencies — day care, and the organization of dances, meetings and other recreational activities for example.

A second model would have associations acting as collective bargaining agents with project managers, local housing authorities and provincial corporations. They would raise grievances with respect to policy implementation on behalf of individual tenants and would bargain with L.H.A.'s and provinces for changes in policies. They might raise such subjects as the form of lease, rules and regulations, rent scales, security procedures, maintenance policy, etc. Some issues like tenant selection policy and the type of rent to income scale, as distinct from the manner in which it operates, the level of subsidy which the government is prepared to pay, etc., might be matters for legislative decision and non-negotiable. Most would be open to bargaining. Failing agreement on bargainable issues, disputes would be subject to arbitration.

In its most sophisticated form, the model envisages tenants' associations dealing with project managers on issues within their discretion, city-wide associations representative of local ones dealing with local housing authorities or municipal departments on broader issues of implementation and provincial associations negotiating with provincial corporations on matters of provincial policy.

The proposed system recognizes the role of government agencies as managers and protectors of public property and the public purse. Tenants, as temporary beneficiaries of services provided by government are entitled to

organize and seek the fair and efficient provision of those services. They do so by way of traditional bargaining processes, as their basic relationship with their government landlord is, as it would be with a private one, contractual. Contractual remedies for the resolution of grievances are therefore the appropriate ones.

A third possible form of participation calls for the sharing of decision-making power by tenants and government. It treats the provision of social housing not as a substitute for a privately operated service, based on the contractual relationships which govern in the private sector, but as a basic governmental responsibility. It regards the casting of a ballot every three to five years as an inadequate mechanism for participation in housing decisions and instead seeks direct participation in the decision process. That can take the form of tenant representation on local housing authorities, provincial and federal housing corporations. There have been tenant appointments to a number of LHA's in the past year, including those in Saint John, Thunder Bay and Weyburn. Tenants are represented in the Municipal housing bureaus in Quebec. There has been some discussion recently of the appointment of tenants to the boards of CMHC and OHC. It might also take the form of tenant membership in Task Forces and committees established to report on specific problems and on ongoing advisory committees reporting to federal and provincial corporations.

The fourth alternative calls for a full delegation of authority to tenants' groups, rather than shared decision-making. That does not mean that tenants acquire complete control over program development and implementation, but that certain decisions are left completely in their hands. At the project level, complete control of management might be given to a tenants' association functioning within the confines of provincial guidelines for project administration. They might be given a fixed budget with the power to decide where repairs would be made and beyond those, what additional facilities would be added, together with the power to hire staff and contract for the provision of goods and services. To provincial associations there might be delegated the function of rules and regulations governing the use of the project, the development of policies for the provision of social services.

The proponents of a full delegation of authority reject the shared-decision format. They claim that only token representation will be granted and that individual representatives will be co-opted or their voices lost in the management throng. They find collective bargaining inadequate, because it gives the opportunity to bring forward grievances periodically, but does not allow for real control. Intermittent pressures will eliminate the worst abuses they feel, but will not bridge the gap between managers' and tenants' attitudes. Managers are bricks and mortar oriented — only tenants understand their needs.

They reject arguments based on the protection of public property, and the need for professional judgement to make housing management decisions. The reason tenants want control is that the properties are not adequately maintained and responsibly managed. In response to professional management

arguments, they point to the rapid development of condominium and to a lesser extent co-operatives in the country. There the crucial management decisions will be made by a committee of residents, who will hire professional help to deal with technical problems. That system, they claim, is equally applicable to publicly-owned housing. These models would apply differently to the management and planning of individual projects and to the development of general policies governing planning for and operation of public housing. Broad delegation of authority to tenants is probably most feasible in the case of project management.

Complete delegation of management functions would not be desirable. In particular, the functions of tenant selection and enforcement of rules and regulations including eviction, should not be delegated to tenants' associations. It is the almost universal international experience that tenants and self-help groups are less receptive to potentially difficult or problem families in their midst than are government officials who would not have to live with them. The "creaming" which now takes place is mild compared to the selectiveness which tenants would themselves exercise. We see no reason, however, why all other powers could not be delegated, under agreement with the responsible government agency, the continuing delegation being subject to the association living up to the terms of the agreement.

For the management of individual projects, we recommend that the federal and provincial governments deliberately encourage the assumption of management authority by committees of resident tenants, and monitor their operations to determine the adequacy of the management. Complete reliance cannot be placed on that technique because of the hesitancy of tenants' associations to request and assume the obligations. We would expect, at least in the immediate future, that the majority of project residents would rather rely on their government landlord to provide the necessary services than to go through the complicated processes necessary to provide them themselves.

If government is to continue providing that service, we would strongly recommend that it be furnished at the municipal level, at least in municipalities of a large enough size and with enough units to provide the necessary degree of sophistication and level of services. At that level, the responsibility should lie with a municipal department, rather than with an independent authority. There is little advantage in the hoary maxim, "keep politics out of housing management". The improvements which have occurred in the operation of projects have resulted from political pressure. Independent corporations unnecessarily insulate *provincial* politicians from that pressure. The risks of favouritism in tenant selection, with a number of different councillors suggesting candidates, seem to us to be far outweighed by the importance of requiring political decisions on matters of policy rather than technical questions of property management.

In the management of projects by municipal governments, all the suggested participation models can play a role. The municipality should be prepared to consult tenants and solicit their views, they should be prepared to share authority in some instances, and they should be willing to bargain

collectively on other matters. Formal mechanisms should be developed for each of these purposes.

Tenant participation in the planning of projects would also be beneficial. Unit designs would be improved if architects had clients who could advise them on the manner in which the housing would be used. The advice need not come from the persons who will actually use the unit. It is sufficient that it comes from one who has lived in public housing and is personally experienced with the implications of the dwelling forms and layouts used. Similarly, second-class sites may not be chosen if representatives of potential residents are present to comment on their quality. In both cases, decisions solely on the basis of cost may be avoided.

Tenant participation in project planning could take the form of consultation with tenants chosen at random or with elected representatives of project or city-wide associations. Or their role could be formalized and standing committees composed of municipal housing and planning officials, tenants' representatives, and other representatives of community groups could be established to prepare and endorse plans for the approval of local councils. More adventurous municipalities might be prepared to experiment with the contracting out of the preparation of a design brief, or of the plans themselves, to established, city-wide, public housing tenants' associations, the plans to be subject to council approval.

While municipalities should be responsible for program and project administration, there are certain basic issues to which provincial policies should apply. Among them are eligibility, selection criteria, essential obligations under the lease, minimum standards of operation, etc. Tenants should be able to participate in the development of those standards. In some provinces opposition to shared decision-making will be so strong that only an adversary bargaining approach will be possible. In others, tenants will not even get beyond consultation, and confrontation and perhaps rent strikes will be required to reach an agreement to bargain. In still others the participation of tenants in the policy making apparatus may occur by equal membership on an advisory committee or by direct access to the responsible politicians with an opportunity to criticize management proposals and present alternatives.

Tenant inputs into program and project reviews would assist in the development of guidelines, of standards for design and location. The more relevant information is available, the better informed those decisions will be. It is remarkable that public authorities are prepared to pay professional consultants for advice, but are unwilling to accept free assistance from the people who are most familiar with the projects.

Once again, the form of the participation will depend on the institutional dynamics, the attitudes and abilities of provincial officials and tenants' representatives, rather than on any advance decision that a prescribed form is most suitable.

While most participation will take place at the municipal and provincial levels, the federal government must continue to lead in the development of participatory mechanisms.

Chapter 6

Full Recovery Low Rental Housing

Public housing and full recovery low rental housing were, for more than twenty years, the only federal programs which could be used to provide low income housing. While full recovery units were initially provided under the public housing program as well, operating subsidies were soon required in order for public housing to continue to serve very low income households. Under the section 15 full recovery program, loans were made at preferred interest rates to municipally-owned corporations, builders, and private non-profit groups, e.g. service clubs and churches.

In most areas, municipal non-profit corporations have been phased out with the advent of increased provincial public housing activity. Private non-profit groups have concentrated almost entirely on housing for the elderly and their efforts have also been displaced, in most provinces, by increased public housing activity. As a result, this chapter deals primarily with the entrepreneurial program. This was known for some twenty years as the L.D. (limited dividend) program, but as there is no longer an explicit limit on returns or dividends, we prefer to refer to it as the entrepreneurial full recovery program.

Full Recovery Housing: Entrepreneurs

Program Development

For more than thirty years, National Housing Act loans have been available at preferred lending rates to organizations that will build housing for low income families available at below market rental. The program finds its beginnings in the National Housing Act of 1938[1] which provided for loans at preferred lending rates to local housing authorities for the construction of low rental housing projects to be leased to families of low income. The program was designed to encourage institutions (municipalities, associations), rather than

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[1] *National Housing Act, 1938*, Part II, Section 13(1) and following.

private individual builders, to undertake the building of the projects. Rents were not to exceed one-fifth of family income and were to be set so that their aggregate would pay for the project with a dividend not to exceed 5 per cent.

The Act was amended in 1945[2] to allow institutional housing corporations (which could be owned by life insurance companies and lending institutions), to obtain loans for low rental housing projects under similar conditions.

Neither of these attempts to attract capital into the low rental housing field was particularly successful. This, in part, explains the turn to public housing and direct public funding of low rental housing projects marked by the 1949 NHA amendments.

Activity under the limited return program continued at a relatively low level until the mid-1950's, when, in the period from 1957 to 1959, some 15,000 units were built, mainly by entrepreneurs. The sudden burst of activity was the result of government interest in funding the program as part of overall stabilization policy and of the lack of other forms of financing. Banks had been less eager to give loans for residential construction, interest rates on other available capital rose, and sources of financing generally dried up. Limited dividend housing which had been unattractive to builders because of its restricted dividends, became the only source of funds for many.

The results were not satisfactory.[3]

> (It was) very clear that the section was aimed at obtaining the cooperation of municipal groups, philanthropic organizations, etc. and that the plan was designed towards "no profit" housing or "limited profit" housing . . . Over the years we have retreated from the position so established. There is no doubt in my mind that the entrepreneurs who are operating today have profit as their major motive, although there are "smoke-screens" blown up, such as providing estates for dependents forty years hence. It is fairly logical that with the present state of the investment market, no wise investor is going to put his money into a 5 per cent limited-dividend proposal unless there are other considerations. I think the major thought is "mortgaging out" . . . The Minister should be made aware of the fact that any tightening of controls will reduce output, but I think he would agree that we should not have output at the expense of distorting legislative intent.

In another memorandum shortly thereafter a member of the Administrative Research Group wrote:[4]

> The true intent of the section has an essentially social connotation . . . The Fund has not been used for the purpose for which it was originally intended, but rather as a source of mortgage financing of last resort . . . It seems to me that virtually every anomaly or irritant which has occurred in the Limited Dividend Operation can be ascribed to those projects which are sponsored by private businessmen.

In 1960, a review of the design and layout of a number of limited dividend projects was undertaken by the Architectural and Planning Division

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[2] *National Housing Act, 1944*, Part I, Section 8, as amended in 1945.
[3] *CMHC Memorandum*, August 20, 1959.
[4] *CMHC Memorandum*, October 9, 1959.

of CMHC. The projects were found to be substandard, particularly with regard to landscaping plans and play areas. In that year, faced with a lack of funds and an unsatisfactory program, loan requirements were tightened considerably. No more one bedroom units were to be allowed and the average bedroom count was to be 2.5. Projects were limited to 100 units, and the equity requirement was increased from 10 per cent to 15 per cent to promote increased concern in the operating phase of the program.[5]

Under this tight policy, no loans were made. When the policy was loosened up six months later, applications for 3,500 units poured in.

In the next several years, however, concern with the quality of the program output continued:[6]

> It would seem that the profit motive cannot be in harmony with housing of the lower income group. Some intend to produce a well-built project with a minimum equity and to keep interim financing in anticipation that private refinancing can be arranged. Others produce a project with a minimum equity, minimum financing costs, minimum specifications, and minimum operating expenses to realize a quick profit and then hope that the Corporation will take over the property.

These last words came home to haunt the Corporation. In 1962 and 1963, a substantial number of projects were taken back, particularly in the Montreal area. All of these were in default and the Corporation voluntarily purchased them rather than go through the prolonged procedures required under Quebec law to foreclose on the mortgages. The repossessions can be explained partly by a soft rental market and partly by the inexperience of the owners who lacked proper management expertise. Another important aspect was lack of capitalization and the use of corporate shells by individuals who mortgaged out, took a large building profit, and then were prepared to walk away from the project.

As a result of this experience, the Corporation virtually shut down the entrepreneurial full recovery program. Only limited funds were made available, and despite increased construction and operating costs, required rental levels were frozen. The result was that projects were completely unprofitable. Loan requirements once again became exceedingly stringent. In 1965, the Advisory Group suggested that the program be dropped completely and that increased reliance be placed on non-profit housing.

The report stated:[7]

> Private developers should not be involved in the role of landlord within a system of controls upon rents, incomes and profits.

It is recommended that 100 per cent loans be made to non-profit groups, with grants of up to 10 per cent of capital cost, to match owner's equity or provincial grants. The difficulty of developing and educating non-profit organi-

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[5] *Memorandum*, President to Minister, April 5, 1960.
[6] *CMHC Memorandum*, August 28, 1961.
[7] *Advisory Group Report*, November 12, 1965, p. 15.

zations was recognized; grants, direct consultation and technical aid from CMHC were to be made to meet these needs in an organization's early years.[8]

No action was taken by the government on either the suggestion that the entrepreneurial program be abandoned or that the non-profit program be assisted and expanded.

The Corporation, however, retained its confidence in the desirability of the provision of low rental projects by non-profit organizations. It therefore recommended the addition of the then section 16A to the Act, permitting the making of loans specifically to non-profit corporations. During the period from 1965-1967, only four loans were made to entrepreneurs while 201 loans were made to non-profit organizations. There was considerable sympathy for non-profit groups and a growing feeling that the controls placed on private entrepreneurs would not be necessary in dealing with non-profit organizations; there was no particular need for a proven end cost statement (rather than a certified balance sheet), for verification of income ranges within the project, or for physical inspections of hostel accommodation.[9]

> I can recall a short time ago, one of these companies asking "is honesty and integrity confined to CMHC?" Surely it isn't and if a group of citizens or municipalities is in need for such housing and is prepared to work for it, it would assist by trusting them further to operate under the general intent of the Act without onerous administrative requirements.

In 1967, housing costs were rapidly increasing — the supply of rental accommodation was becoming tight as a result of the constriction of the money supply in 1966, the Corporation again became concerned with finding additional ways to provide housing for low and moderate income families. The 1965 proposals to extend non-profit housing were brought forward once more.[10]

> Section 16A in its present form has existed now for some two and one-half years. While good results have been achieved in projects for senior citizens and some projects for special groups of persons, no significant interest has been exhibited concerning projects for low or moderate income families. If any real interest had been displayed by anyone anywhere, we would easily have adapted to the situation and fostered the spark of local interest concerning any worthwhile project into the eventual realization of acceptable housing. Since this has not occurred, we conclude that some changes and innovations are now required.

In order to make section 16A more attractive to non-profit sponsors, it was proposed that the Corporation make loans to 100 per cent of the lending value (as established by the Corporation) with the reduction of up to 10 per cent in the amount repayable as a capital grant or grants from provincial, municipal or other sources. It was also suggested that no specific income limits be imposed for entry or continued occupancy. Since it was felt that non-profit

[8] *Ibid.*, p. 25.
[9] *CMHC Memorandum*, February 3, 1966.
[10] *CMHC Memorandum*, February 16, 1967.

corporations were not motivated by the same considerations as other borrowers for rental projects, they could be allowed greater latitude in the management of the projects to achieve the basic aim of the legislation and their own objectives. It was suggested that the non-profit corporations simply be required to reserve the housing for those families receiving an income which did not permit them to rent housing in an area adequate for their needs and to give as much priority as possible for low income families.

The Corporation proceeded to recommend legislation along these lines, but it was once again rejected by the Cabinet. The Minister, however, was concerned about the housing of moderate income families. In the preceding several years, he had made several public statements to that effect. In response to ministerial concern, the Corporation turned once again to entrepreneurs to provide housing under section 15 with a limited return on profits.

The section was amended to increase the lending ratio from 90 to 95 per cent of the value of the building, and the limitation of a 5 per cent return on investment was removed. The developer was no longer required to prove the end cost of his building, and was entitled to a loan for the appraised value rather than its true cost. And the loan could be paid in full after 15 years, releasing the developer from the control on rents at that time, rather than looking him in for the 50 year life of the loan.

Before making the change, the Corporation canvassed the opinions of its Loans and Appraisal Divisions.

One member of the Loans Division pointed out that:[11]

> Section 15 has been dormant for the past few years and to activate, especially for entrepreneurs, would require a much more attractive proposition for investors than in the past. Entrepreneurs are not interested in the social aspects of community and municipalities feel they have no social obligations to families who do not require subsidization in one form or another.

He therefore recommended, inter alia, that the maximum size limitation of 100 units and the requirement of an average bedroom count of not less than 2.5 (which had been reimposed when program requirements were tightened) be dropped.

A later memorandum to the president followed this theme and further recommended that:[12]

> We should be prepared to accept any project under section 15, at any moment of time, which we would be prepared to accept on an insured basis under Part I; i.e. if the market would support the project at economic rentals, we can assume it can support that which is below economic rates. The effect is that there will be no arbitrary limits on bedroom count, project size, etc., nor will physical limitations on the quality of the project to be required. (It will be necessary, however, to assess) the capability of the employees of the borrower not only to construct a project of good quality but to administer it efficiently . . .

[11] *CMHC Memorandum*, October 19, 1967.
[12] *CMHC Memorandum*, November 3, 1967.

> Acceptable borrowers will be only those who can demonstrate current experience in the administration of substantial rental housing projects, i.e. no more fur merchants.

The Corporation had clearly shifted its concern from the social aspects of section 15 housing to the position that the market should be relied upon to produce housing at rentals slightly below — usually $20 to $25 per month below — the existing market rate. The Corporation would not be concerned with the form or management of the housing, beyond its normal consideration on a market loan. Little attention was given to the long-run or mid-term advantages of controlled rents, and the main thrust was to immediately provide private rental accommodation at slightly below market rates.

As result of the legislative and policy changes, program activity has increased sharply. From no starts in 1967, it moved to 19 loans for 1,956 units in 1968; 67 loans for 1,364 units in 1969; and 148 loans for 19,440 units in 1970. The loan amounts have increased over that three-year period; $22,950,000 to $89,474,000 to $241,518,000.

Some of the history of the section 15 program can be drawn from Chart 1 which depicts the funding of the public housing, entrepreneurial and non-profit programs.

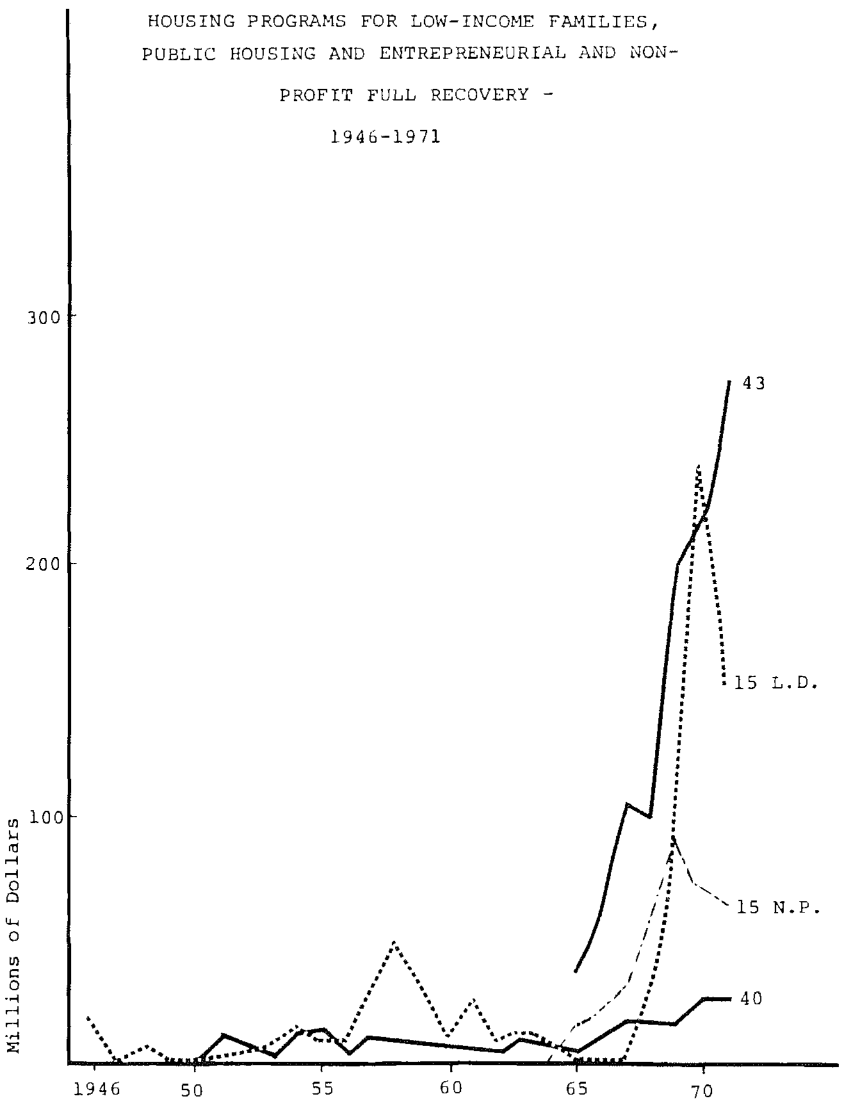
Until the introduction of the section 43 lending provisions, output under the entrepreneurial program was consistently higher than for public housing. Unlike public housing, it has been used as a way of quickly increasing housing starts and pumping money back into the economy, in both 1957-58 and 1969-70. Despite CMHC's apparent preference for non-profit groups as producers and operators of social housing, the overriding goal is still the total number of starts as can be seen from a comparison of the funding of entrepreneurs and non-profits in 1969 and 1970.

Planning for Entrepreneurial Housing

As in the case of public housing, no attempt is made to determine the extent of the need for full recovery entrepreneurial housing in any particular province or city. The budget merely responds to demand. The branch officers canvass in their areas to determine the likely demand for funds. Because of the pressure for funding of other programs, and the restraints on the total CMHC budget, the Corporation makes little attempt to induce increased production of such units, except at times when additional starts are desired (as was the case in 1970).

Applications are thoroughly reviewed at the branch level, both by loan officers and by branch architects. Head Office continues to have approval authority. For five months at the end of 1970, however, these normal procedures were suspended and the loan approval process was decentralized to the branch level, permitting the branch officers to commit section 15 loans upon 72 hours notice to Head Office. The decentralization of authority coincided with the concern in 1970 to obtain the necessary number of starts, and was seen as a mechanism to speed up the processing of proposals, and therefore, of starts. In 1971, Head Office control was reinstated.

CHART 1


HOUSING PROGRAMS FOR LOW-INCOME FAMILIES,
PUBLIC HOUSING AND ENTREPRENEURIAL AND NON-
PROFIT FULL RECOVERY -
1946-1971
300
200
100
Millions of Dollars
43
15 L.D.
15 N.P.
40
1946
50
55
60
65
70

One of the results of the 1970 decentralization was a tendency for developers to apply pressure for approval of a project at Head Office when the project had been rejected by branch technical staff. In an attempt to dispel the aura of branch office favouritism in decisions, and to obtain a broader range of projects from which to choose, the Ontario Regional Office instituted a proposal call system in Toronto in 1970. A citizen jury was to be responsible for selecting projects. Regional officials felt that this technique would go a long way toward securing the best competitive price for a project, after an independent judgement of the desirability of the location and project amenities.

Like the sites provided by builders for public housing under the proposal call technique, limited return project locations are frequently marginal. Appraisal data indicate that lending values on land for section 15 entrepreneurial housing units are frequently one-quarter to one-third less than those for NHA private market units.

Table 1

COMPARISON OF LAND COSTS PER UNIT, SECTION 7, SECTION 58, SECTION 15 (ENTREPRENEURIAL)

Location	*No. of Projects*	*Form*	*Section 15*	*No. of Projects*	*Form*	*Sections 7 and 58*
Montreal	2	Row	$1,100	5	Row	$1,550
	9	W.U.	$1,300	69	W.U.	$1,300
	9	E.A.	$1,340	16	E.A.	$1,550
Ottawa	2	Row	$2,360	9	Row	$2,617
	3	E.A.	$1,590	15	E.A.	$1,602
Toronto	1	Row	$3,163	4	Row	$6,322
	21	E.A.	$2,350	44	E.A.	$3,812
Hamilton	4	E.A.	$1,350	6	E.A.	$1,621
Sudbury	2	Row	$2,100	1	Row	$3,227
Winnipeg	6	W.U.	$1,300	26	W.U.	$ 886
Edmonton	7	Row	$1,770	8	Row	$3,316
Calgary	8	Row	$2,050	3	Row	$2,596

E.A. — Elevatored Apartment W.U. — Walk-Up

SOURCE: Appraisal Division, CMHC, October 1971.

Cheaper land is poorer land. In Vancouver, for example, one site that was accepted under the program had twice previously been rejected for rezoning. In another case, a section 15 project was located near an oil refinery and distant from public transportation. Similarly, one of Edmonton's 1970 projects was located on the extreme west fringe of the City, in an area where community facilities, including schools, were not yet available. In this case, the developer indicated that he considered the site a desirable one and had simply brought the land on to the market a year or two early by building under section 15. Of Winnipeg projects in 1970, the closest to the downtown area was 4½ miles away and two others were 7 and 8½ miles away, respectively. While four satisfactory projects were accepted under last year's proposal call in Toronto,

almost all the remaining proposals were on unsatisfactory sites. Several were in remote parts of the Borough of Scarborough, one was immediately adjacent to a railway line, and another overlooked the extension of Highway 400. (The maps located inside of back cover illustrate those fringe locations.)

It is not as though federal officials were ignorant of the existence of the problem. The instructions issued to CMHC appraisers immediately after the legislative amendments in 1968 and 1969 point out:

> For a variety of reasons, among them land cost, L.D. and N.P. sites are frequently found to be on the periphery of a town or city, or in a neighbourhood where objectionable features tend to preclude use of the property for normal residential development. The latter locations are often characterized by proximity to heavy or obnoxious industrial areas, railway tracks, run-down residential districts or other undesirable attributes. Peripheral sites, on the other hand, may suffer from none of these drawbacks, but may nevertheless be equally undesirable for the intended purpose. As a general rule, the greater the distance from the urban core, the more importance is attached to the problem of transportation. In many cases, public transit systems do not operate, or only occasionally operate to such locations and often at higher or multi-zone fares. Dependence on the private automobile becomes paramount. Ironically, therefore, the same circumstance of distance which makes cheaper land available may, through the inadequacy of transportation facilities render the site impractical. There is no economic advantage in achieving cheaper rents and then having this advantage nullified by adding to the financial burden of the low-income tenant through excessive transportation costs.[13]

Better sites are not forthcoming because the developers, who have assembled those sites, are unwilling to sell them without making a substantial profit. In order to ensure that rents remain some $20 to $25 below market, CMHC must restrict the lending value of the projects. Since the lending value is lower, the builder only uses cheaper land and saves his better land for the construction of luxury units. CMHC acknowledgement and acceptance of the existence of such marginal locations as a fact of life is a further reflection of the complete reliance on the private market for the provision of housing.

The capital cost of limited return projects, as exhibited by the loan amounts and lending values, may be substantially lower than the cost under public housing. To the extent that this is the case, it largely reflects:

1. The ability of the limited return builder to use non-union labour;
2. The fact that a bond is not required under section 15, although it is for public housing;
3. The less stringent inspections under section 15 as the property will not be publicly owned;

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[13] *CMHC Memorandum.*

4. The use of better materials in public housing, which is required to provide durable projects which will stand up under hard wear;
5. Frequently a lower bedroom count;
6. The opportunities for further profits under section 15 by reason of continued ownership and operation, allowing for management fees and depreciation write-off against other income.

With a concern focused solely on the matter of reduced costs, CMHC has been promoting the use of section 15 projects — together with a section 44 leasing agreement to subsidize operating losses — in an attempt to accommodate public housing tenants. To date, the response by the builders has been lukewarm.

An examination of several of the limited dividend projects suggests that unit design has been substantially upgraded since the 1956 to 1963 period. This reflects the presence of larger, more responsible builders in the field whose standard designs are better than they were ten years ago. Project amenities, however, have barely improved. Landscaping plans are vague, and the final landscaping of the project often leaves much to be desired. Builders respond to such complaints by pointing once again to the lending limits effectively imposed on them in order to hold down the rental levels. Similarly, concern regarding the absence of day care and other community facilities is met by reference to the problems imposed by cost limitations.

The 1967 documents supporting the policy shift to resumption of the entrepreneurial program suggested that there should be no artificial restraints on bedroom counts, project sizes, etc. One legal restraint which, however, remained was the definition of low rental housing projects as housing for families of low income. In the discussion of need, we observed that the most pressing need among families is among those requiring larger units. Private builders prefer not to serve that group — as can be seen by the unconstrained program performance. In 1970, the last year for which comprehensive data were available and the one year accounting for one-third of total approvals, 45 per cent of all units produced were in elevator apartments, 31 per cent were in walk-ups and only 23 per cent were in row housing. Row housing is generally considered to be the most suitable of the three forms for family use. Similarly, in that year only 40 per cent of units had three or more bedrooms, again showing the limited program output for families with the greatest need. The average bedroom count for all projects was 2.0.

Table 2 demonstrates the dramatic shift from row to high-rise apartments which occurred from 1968 to 1970, under pressure of rising costs. The impact was most heavily felt in cities with high land costs. Table 3 depicts the related movement towards smaller sized units. The conclusion is clear. A substantial proportion of the units produced, probably more than half, are not satisfactory family housing units.

There also appear to be some problems with project densities. This is not the case in every part of the country. But in the Prairies and British Columbia there are a number of row housing projects in which the sites are heavily packed and quite crowded.

Table 2

PERCENTAGE DISTRIBUTION OF SECTION 15 ENTREPRENEURIAL UNITS BY TYPE — 1968 - 1970

	Row	*Apt. (W.U.)*	*Apt. (Elev.)*	*Other*
National 1968	67	21	12	3
1969	31	46	20	1
1970	23	31	45	2
Toronto 1970	1	15	84	
Halifax 1970			100	
Montreal 1970		100		
Winnipeg	52	30	17	
Edmonton	86	14		
Vancouver			100	

SOURCE: CMHC Loan Approval Files.

Table 3

PERCENTAGE DISTRIBUTION OF SECTION 15 ENTREPRENEURIAL UNITS BY BEDROOM COUNT — 1968 - 1970

	B	*1*	*2*	*3*	*4*
National 1968	0.7	5.0	31.3	54.4	8.7
1969	8.7	16.4	36.0	36.4	2.6
1970	1.7	12.3	45.2	37.4	3.5
Toronto 1970	2.5	28.0	55.2	13.1	1.2
Halifax 1970		33.0	67.0		
Montreal 1970	12.7	25.8	31.8	27.2	2.5
Winnipeg 1970		16.1	35.5	43.0	5.4
Edmonton 1970		1.4	36.5	54.7	7.4
Vancouver 1970		49.5	50.5		

SOURCE: CMHC Loan Approval Files.

Building Entrepreneurial Housing

The changes in the limited return program, effected in the late 1960's, have accomplished their objective of bringing large, professional builders with management expertise back into the program. In the Prairie provinces, in British Columbia, and in the Maritimes it is the largest builders who are taking advantage of the program. Many of them have an annual output of more than 300 units, making them the largest builders in their regions.

In Ontario, the largest builders have stayed out of the program. They have large stocks of rental dwellings and see the provision of low rental accommodation (in return for a limited profit) as weakening the market for their existing projects. The smaller, less well established builders who are producing under Section 15 may, therefore, lack the desired level of managerial experience and confidence. Of nineteen loans made in the City of Toronto last year, eighteen were made to different companies — of which only one appears to be a major builder. While a number of them hold fair-sized housing portfolios, it is clear that management expertise is not a matter of prime concern in the decision to lend to them.

In Montreal, only two of twenty-three loans made over the last two years went to the same company, and those were only for a total of 120 units. It is possible that by going behind the corporate façade one would find that individuals associated with large building companies are present. The entire Montreal residential construction industry, however, is a confusing one and there appear to be very few companies constructing and retaining large portfolios of rental accommodation. The same level of property management expertise found in the city of Toronto does not appear to be present.

Increased reliance on the proposal call technique to stimulate section 15 activity has also resulted in a decreased concern for management and administrative capability — a concern that was stressed when the changes to stimulate activity under the program were originally made. Now juries are not told the names of the proponents nor given an indication of their administrative capability. Decisions are taken on the basis of the physical adequacy of the project alone.

There are several reasons for the increased interest of builders in the program. It was frankly stated by participating builders and local CMHC officials that no entrepreneur would go into a section 15 project with its limited returns if he had to invest any of his own capital.[14] Mortgaging out is common. It is not unusual for builders who are confronted with unexpected costs during the course of construction to return and seek increased lending amounts and, therefore, increased rentals.

If a project is well located and well built, it is assured of almost complete occupancy; risks are quite limited. Vacancy rates and turnover ratios are low. That is virtually guaranteed, since there are no new buildings of comparable quality available at the reduced section 15 rental. The limited risk has the further advantage of making the builder's notional investment a very liquid one, as he would have little difficulty selling the building where the purchaser can be certain of such complete occupancy.

While the loans are set in such a way that the profit on the notional investment in a building is limited to some 5 per cent to 10 per cent, a further substantial profit is made where the lending value ascribed to the land is in excess of the cost to the builder. This allows some of the larger builders who have land banks to market sites more quickly and to make use of those which are marginal and might not otherwise be suited for private market rentals. As we noted above, some builders specialize in optioning difficult (read: marginal) sites, and in having them rezoned for limited dividend use.

Where the builder has his own staff engaged in project planning and development, he can make further profits. For instance, included in the mort-

[14] A builder mortgages out when he builds for the amount of the loan and has no equity in the building itself. The NHA permits section 15 loans of up to 95 per cent of the lending value of the building. In the past, lending value was based on proven end cost for L.D. projects. With the 1969 changes it is based on appraised value. Today, if the borrower can build for 95 per cent of market value he need have no investment in the building. If he can build for less than 95 per cent, he makes a profit on the construction.

gage amount will be the normal cost of architects' and engineers' fees, etc., which may well exceed the internal cost of these items to the builder.

Profits in excess of 5 per cent to 10 per cent are ensured by the tax shelter provided by the capital cost allowance provisions of the Income Tax Act. In their early years, section 15 projects (as is normal for all rental projects) show a tax loss, which can be written off against the income from other rental buildings. There are also substantial profits to be made in the management of the building. Management fees ranging from 4 per cent to 5.75 per cent are permitted. Where a builder is operating on a fairly large scale (i.e. in excess of some 400 units under management) the fees provide a profit in the range of 25 per cent to 30 per cent.

In periods of tight money with high interest rates (as was the case in 1970) many builders find that they cannot build new units for rent at a profit. This makes the lower return of profits under section 15 relatively more attractive. Many of the firms building under the program are growing rapidly and have taken on substantial executive and management staff, although most of them do not have a large construction staff. This has, however, meant an increased overhead. The builder must then continue to build in order to write that overhead off against individual projects. This creates increased pressure to find additional funds in times of tight money; section 15 frequently assists the builder to maintain construction levels.

A number of builders have said that the possibility of paying off the mortgage and freeing the project from controlled rents at the end of fifteen years was an advantage. But this did not appear to be a major consideration. Against the advantage of being able to charge market rents for a fifteen year old building the builder would have to weigh the increased payments on a new mortgage for a shorter term with higher interest rates, and the need to find new tenants with the risk of vacancies.

Several of the larger builders, particularly the ones that were public companies, pointed to an interest in expanding and diversifying their portfolios, both for purposes of borrowing and for attracting shareholders. There also appears to be an element of public relations involved. In some cases, builders apparently feel it improves their image to be providing low rental housing. A number were familiar with the American experience, where there was a sharp increase in governmentally sponsored and subsidized low cost housing; apparently they expect a similar situation to arise in Canada and want to be in on the ground floor.

It would be reasonable, then, to expect that the larger builders with substantial portfolios of rental properties will retain their existing projects and continue to participate in the program. This will probably be particularly true in times of scarce money or if the builder considers the upper income market to be over-sold or over-built. There does, however, appear to be some suspicion — particularly concerning projects in Toronto and Montreal — that builders in the last year were using the program simply to stay afloat, marketing land and paying for overhead, without a view to the longer term aspects of the program. A close look must be taken at recent projects in these two cities to

determine whether there is a substantial risk that the projects will not be properly managed and maintained and the builders will attempt to unload the projects either to private purchasers or to CMHC.

Operating Entrepreneurial Housing

As of 1970, average incomes in some 7,000 units surveyed by CMHC were $5,982. This average was biased downward by a preponderance of units (some 70 per cent) built before 1965. Average income in the units built in the last three years was $6,551. 80 per cent of households were in the $4,000 to $7,000 range. These figures reveal that even without operating subsidies, a full recovery program, with the advantage of fixed costs and rising incomes, can serve the upper half of those housed in public housing.

Family units built in major centres in the last year were intended to serve households with incomes from $5,000 to $8,000 on entry, although tenants could stay on if incomes rose by up to (approximately) $2,000. Incomes in projects built in the 1970's will be substantially higher than those shown in the 1970 survey.

Table 4

AVERAGE MAXIMUM INCOMING AND OUTGOING INCOMES — SECTION 15, ENTREPRENEURIAL PROJECTS — 1971

City	*Number of Projects*	*Bachelor*	*1 Bedroom*	*2 Bedroom*	*3 Bedroom*
Edmonton......	(8)	—	4810/5910	5723/7675	6383/8802
Winnipeg.......	(8)	—	4783/6635	5531/7672	6000/8380
Halifax.........	(1)	—	5690/8267	6990/9784	7140/9825
Vancouver......	(1)	—	5360/7397	7040/9716	7840/10819
Toronto........	(15)	4300/5934	5608/7669	6239/8612	7118/9821
Montreal........	(6)	3420/5824	4930/7173	5727/7989	6400/8920

SOURCE: Policy Planning Division, CMHC.

Until 1965, tenant income was checked annually. Since then a check has been required once every three years. Unlike the public housing scale, in which the rent is geared to income, the rent remains the same regardless of income in section 15 projects.

The operating agreement requires the housing company to obtain income declarations from all tenants and to make these available to CMHC. Research in several branches revealed, however, that the branches do not require that the income declarations be transmitted to them, but are instead prepared to simply accept the assurance of the developer with regard to the income levels of these tenants. When Head Office requested information for a survey on tenants' income characteristics under the program, a number of branches were unable to respond. One pointed out that the company's records were not in any particular order and that there was no control system for current tenants.

The branch offices are empowered to grant increases in rents upon request. These are intended to cover increased operating costs and taxes. In some centres, however, the practice of asking for rent increases prior to project completion has developed. Estimated rents are set low in the application form and, after construction is in process, the borrower requests an increase on the grounds of unexpected costs. In several cases developers have been successful in such applications, particularly in Toronto. This again has the effect of raising the income level served by the project.

The general instructions regarding the operation of section 15 permit the temporary or permanent waiving of income ceilings where the developer is unable to rent out the project within the income limits. This practice is not in keeping with the Corporation's position that entrepreneurial projects are simply private market operations with lower interest rates. A private builder expects in the initial period to have some vacancies and cannot expect his building to be filled immediately. His profit in the first year may be limited, or he may even operate at a loss. By contrast, the Corporation practice in effect guarantees immediate occupancy to the builder.

The situation may be compounded by "creaming" by the builder. Apparently, he need only show substantial vacancies in order to get the income limits lifted. Often, these vacancies may be his own doing, e.g., he may refuse to accept welfare recipients or large families as tenants. This appears to be the case in several western cities where income limits have been lifted.

CMHC's general instructions stipulate that units are intended primarily for families, but operating agreements do not require that the family include children. The Corporation, therefore, takes no action if units are allocated to childless married couples. In a number of projects, this appeared to be the practice even where units had as many as three bedrooms.

The degree of under-utilization of units is shocking: 40 per cent of one bedroom units in this family housing program are occupied by only one person; 80 per cent of two-bedroom units had three persons or less, i.e. had only one child at most in the second bedroom; 38 per cent had two persons only, i.e. one bedroom was empty; 65 per cent of three-bedroom units had four persons or less, i.e. two-thirds of all three-bedroom units were occupied by, at most, four-person families, with each child having its own bedroom; 26 per cent of three-bedroom units were occupied by families of three or less persons, i.e. the family had at least one spare bedroom; 28 per cent of four bedroom units had four persons or less.

The general instructions require that an annual check be made on the maintenance of the project. Presumably, this is intended to ensure that the Corporation's security is protected. No concern is shown in the instructions, however, for the way in which the project is managed. The Corporation apparently feels that this is not a proper subject for public concern but is a question of private landlord and tenant relations.

Interviews conducted with tenants, developers, and CMHC personnel, reveal some cases of harsh and discriminatory management practices. The general instructions state that the intent of each operating agreement is that

tenants are to receive leases. But the operating agreements do not specify a prescribed lease form, and month to month leases are expressly found to be acceptable.

Rules and regulations greatly restrict tenant activities in some of these projects. Exceptional levels of cleanliness are often required. Restrictions on such matters as hanging out wash on Sundays, play areas for children, rights of more than one parent in the family to work, loitering after midnight, keeping of pets, and so on, have been found. A court might refuse to enforce such rules and regulations; but the tenant must toe the line as the landlord need not sue for breach of tenancy agreement, but can simply give a month's notice and terminate the lease.

Even where such rules and regulations are not present, some interviewed project owners made it clear that tenants who stepped out of line would quickly receive notice to vacate.

In both Vancouver and Edmonton, project owners were strongly opposed to the formation of tenants' associations. One went so far as to express the view that an association formed in his building was the result of "communist agitation".

Many of these complaints apparently do not filter through to Head Office. The few that do reach the branch usually stop there, as branch officials feel powerless to intervene under the existing Head Office instructions. More important, low income tenants simply do not complain as they do not expect relief and are fearful of eviction.

In the field of public housing, the federal government has assumed a leadership role and has pressed the provinces to provide tenants with a reasonable lease to improve project living conditions. The suggested model lease attempts to achieve a reasonable balance of landlord-tenant rights and obligations. In this case, the federal government should put its own house in order. It should make it a pre-condition of section 15 loans that tenants be offered a lease for a minimum period of one year, the terms of which are at least as favourable as the public housing model. It should also be prepared to fund associations of section 15 tenants to ensure that the lease provisions are not simply paper rights.

If the builder no longer wishes to be bound by the loan restrictions, or wishes to sell to a purchaser who is not satisfactory to the Corporation, the Corporation cannot prevent such action. The only remedy available to the Corporation for breach of agreement is the calling of the loan. If the builder or purchaser can refinance the loan, the Corporation gets its money back, the builder keeps the buildings, and the rents are no longer controlled.

This position rests on a legal opinion to the effect that any attempt by the Corporation to foreclose would be overridden by the borrower's rights in equity to relief from foreclosure. It is most unlikely that such relief would be granted in a case of willful default. The operating agreement should give the Corporation a first option to purchase the building, at depreciated book value, in case of such default.

In addition, it should be clear, in those cases where the Corporation

does repossess a building, that the section 15 rental levels remain in force. In Montreal, the rents charged by CMHC in repossessed buildings have been reasonable market rents, but well above the section 15 level. In repossessing the projects, the Corporation's first concern was, once again, its security position, and the social housing aspect of the project became secondary.

Latitude for Administrative Discretion

As the section is presently worded, the only legislative requirements for the making of a loan are that it be for a low rental housing project, at a rate set by regulation, not exceeding 95 per cent of lending value. The loan is to be for a period less than fifty years and the borrower agrees to maintain "fair and reasonable rents" and not to sell without the consent of the Corporation. "Low rental housing project" is defined as a project to be leased to low income families or to such other persons as the Corporation, under agreement with the owner, designates. (It is interesting to note that "public housing project" is similarly defined as a project to be leased to low income families or individuals.) The intention is clear that the section be used primarily for family housing. This has not prevented the Corporation (perhaps under its power to designate) from funding housing for single elderly persons built by non-profits and sometimes entrepreneurs under the provisions.

"Family of low income" means a family whose income, in the opinion of the Corporation, is inadequate to allow it to rent accommodation adequate to its needs at current market rentals in the area in which it lives. The legislation has thus left to the Corporation the question of the clientele to be served by the program. In its early years, the program was competitive with public housing, serving almost the same income group. Today, however, there is a sizeable gap between the two groups, at least in the newer section 15 projects.

In addition to latitude in the matter of clientele to be served, the legislation defines eligible borrowers as "any person". It is up to the administering agency to decide which developers or non-profit groups should be given priority (and indeed the mix between entrepreneurs and non-profit groups). Also left to CMHC discretion are the questions of the terms of the agreement with the borrower. The length of time for control of rent, the nature of the tenant selection process, the issue of leases, tenants' security and fair management practices, are not mentioned in the legislation. In all of these areas — noted above as being problems with the program — CMHC is left with a free hand to develop the necessary regulations.

Summary and Program Recommendations

In 1965, the Advisory Group of Central Mortgage and Housing Corporation, in a review of the National Housing Act legislation, recommended that the then section 16 limited return entrepreneurial housing program be eliminated. The report of the Advisory Group demonstrated a clear understanding that private landlords were unsuitable managers for low income, limited return housing. Experience with the program in the late 1950's and early 1960's included: poor locations; lack of amenities; poor design and construction;

small, non-family units; poor maintenance and project management; and high-grading in tenant selection (selecting only small, non-problem families likely to present few difficulties). The recommendations were not acted upon.

In 1968, the Corporation attempted to revitalize the program. It was hoped that with a shorter lock-in period on rents and a selection of more capable builders in the first instance, the defects observed earlier could be avoided. The findings of this study substantiate the 1965 position and indicate that the familiar problems with location, amenities, unit type and size, tenant selection, and management practices have recurred. This report therefore recommends that full recovery entrepreneurial housing be phased out.

In the short run, however, the program may still prove useful. This report suggests that — in a reversal of the traditional policy — the entrepreneurial program be accorded a residual role. In the early years of a non-profit housing thrust, the non-profit institutions and groups and the municipalities may be unable to mount a sufficient effort to reach the quantitative housing goals set out in this report. The residue might well be provided by entrepreneurs.

In view of the largely unsatisfactory results of the program to date, several precautions would have to be taken to ensure that the failings of the present program were not repeated:

(1) The legislation should be amended (as suggested in the public housing section) to require that projects be reasonably located with respect to community facilities, transportation and employment.

(2) Administrative regulations must require suitable amenities, site planning, and design.

(3) An increased emphasis must be placed on the provision of larger, low-rise family units.

(4) Income limits and utilization of family units must be policed more closely.

(5) Loans should be conditional on the tenants being offered a lease, for a minimum period of one year, the terms of which are at least as favourable as those in the public housing lease. Allowance should be made in the loan amount for the cost of training competent, socially-oriented housing managers. Tenants' associations should be encouraged and funded.

(6) Since the advantages of a rental lock-in (when matched with incomes) does not evidence itself until between the eighth and tenth years of operation, the terms of the lock-in should be extended to 25 from the present 15 years.

It is possible that the additional conditions for funding may result in a reduction in entrepreneurial participation in the section 15 program. Such a reduction would not be out of keeping with a residual role for the profit-oriented private sector in the provision of low income housing. But perhaps more important, is the fact that the housing that is built under the more stringent regulations will be housing that is far more desirable in: planning, design and location terms; management practices; and the income groups served.

Once the non-profit sector has mobilized sufficiently and is responsible for a major portion of the annual social housing production, little justification remains for retaining the full recovery entrepreneurial housing program. Apart from an ability to provide housing immediately (if the builders participate in the program), the lock-in on rental levels for a period of years means that housing that today reaches the lower middle income may, in a decade, be priced for low and moderate income families. Once non-profit housing gets fully underway, the advantage of fairly constant rents over a long period is more efficiently provided by the non-profits, who will continue (after the expiration of the present 15-year rental agreement for section 15 entrepreneurial housing) to operate their projects on a stable rent, no profit basis. There is the further long-term advantage that, at the end of the mortgage term, the project will be paid for in full (out of the tenants' rents) and will still be available as low income housing, with no mortgage payments and even lower rentals.

Full Recovery Housing: The Non-Profit Story[15]

Federal officials have had a longstanding sympathy for the non-profit program. Non-profit housing was built primarily for the elderly; a group viewed as the deserving poor, obviously needing help. Service clubs, doing their civic good works, became the channel for that assistance. The non-profit program was an administrative pleasure. It brought none of the political problems which surround public housing. The elderly are acquiescent and do not organize to make demands; they can be accommodated in lower cost high density, high-rise towers; additional facilities required are relatively inexpensive and easily installed.

Yet funding of non-profit corporations has been minimal when compared to public housing and, in 1970, to entrepreneurial low rental. More than half the funds have gone to Quebec, which has built more than 4,000 units and 14,000 hostel beds. British Columbia also makes extensive use of the program and gives a capital grant of one-third of the capital cost to non-profit corporations to bring costs and therefore rents down.

Manitoba has also made use of the program but in most other provinces, the non-profits are being forced out, as the provinces build public housing for the elderly. The provinces prefer using the public housing program because operating losses are shared with the federal government; the NHA does not permit the federal government to subsidize non-profits. The public housing units have rents more within the capacity of the elderly to pay since a greater subsidy is attached to each unit. One result of the increased use of public housing with its cheaper rentals has been pressure from elderly tenants on the non-profits to reduce their rents. With higher mortgage payments, few capital grants, and no operating subsidies, they are unable to do so.

[15] From 1944 to 1964, non-profit housing was built by municipalities, service clubs and others, under the limited dividend provisions of the NHA. In 1964, the legislation was changed adding a sub-section to deal separately with non-profit corporations. In 1969, when the entrepreneurial low rental housing program was reinstated, the sections were again merged.

Table 5

LOANS TO NON-PROFIT CORPORATIONS UNDER SECTION 15 OF THE NHA — 1964 - 1970

	New Housing				*Existing Housing*			
Period and Area	*Number of Loans*	*Number of Units*	*Hostel Beds*	*Amount of Loans $000*	*Number of Loans*	*Number of Units*	*Hostel Beds*	*Amount of Loans $000*
1964	9	144	—	646	—	—	—	—
1965	52	1,105	1,293	13,656	—	1	—	15
1966	72	1,612	1,795	20,860	1	—	8	14
1967	77	1,104	3,583	29,543	4	8	193	1,039
1968	115	2,237	5,126	53,105	10	—	814	4,586
1969	156	2,918	7,980	83,892	17	104	1,170	6,795
1970	105	3,380	4,812	69,489	44	54	198	2,707
1964-1970 Nfld.	4	—	224	1,591	1	—	158	984
P.E.I.	16	279	266	4,350	—	—	—	—
N.S.	12	281	902	8,979	32	33	—	183
N.B.	11	36	670	4,743	—	—	—	—
Que.	209	3,876	13,371	140,903	12	106	1,644	11,053
Ont.	55	2,098	2,849	34,243	2	1	75	416
Man.	83	1,358	1,881	23,328	2	20	61	1,022
Sask.	58	433	1,998	13,973	4	5	126	466
Alta.	10	799	258	6,898	—	—	—	—
B.C.	127	3,340	2,051	31,231	23	2	319	1,032
Yukon	1	—	119	952	—	—	—	—
Canada	586	12,500	24,589	271,191	76	167	2,383	15,156

In the past several years, non-profit organizations have extended the program to serve groups other than the elderly. Some half dozen loans have been made to Indian bands (guaranteed by the Department of Indian and Northern Affairs) to provide housing for their members; the YMCA has, with some difficulty, secured loans for housing for young single women; and several other organizations have obtained funding to house older single men, in the 45 to 65 group.

The difficulties of non-profit organizations in obtaining funding for housing for non-elderly unattached individuals, particularly young people, makes a curious contrast with another non-profit housing program. In 1960, the NHA was amended to permit loans to universities, at preferred rates, for the production of student housing. Over the past decade more than $425 million was loaned for the production or acquisition of 6,000 housing units and 68,000 hostel beds. No restriction was placed on the incomes of potential residents. The housing could only be occupied by students. Most of the units were occupied by students from middle class families.

In 1969 the Hellyer Task Force noted than an unreasonably large proportion of public funds were going into student housing. It also expressed a preference for policies which would permit students to have a range of choice in where they lived while attending university, rather than having to live in on-campus residences. In 1970, funding of the program was cut in half.

A few non-profit institutions have begun to concern themselves with family housing problems. Somewhat more sophisticated than the traditional service clubs who built elderly persons' housing, they include: the Bishop Cridge Centre for the Family, which is building a family project on low cost land which it owns in Victoria, B.C.; Action Line, a non-profit corporation of public spirited citizens which has built a small project in Vancouver; Central Neighbourhood House, an organization which runs a community centre in the Don District of downtown Toronto and is buying a small number of existing units and renovating them for rental to area residents; the Roman Catholic Church in Kingston, which is planning the construction of a low rental project on church land in conjunction with a local real estate firm; the Social Housing Association of Cape Breton, a group established by the Extension Department of Saint Francis Xavier University, local welfare officers, the local Diocesan Family Services Organization and area residents, that has an ongoing program of purchase and rehabilitation of existing housing in Sydney, N.S.

Also entering the non-profit arena are the self-help community groups, frequently core area residents who join together to try to improve their living conditions. In some instances, their major concern has been the upgrading of housing in the area; in others, they have purchased existing units with preferred loans to provide reasonably priced accommodation for themselves. Examples are: the Gastown Residents Association, a Vancouver group of single men who planned the renovation of two hostels to provide themselves with decent housing; the Kinew Corporation, a native organization which bought and renovated existing single family housing in Winnipeg for the use of its members; the People's Committee, a Winnipeg neighbourhood group which bought from

the city a small apartment building slated for demolition and moved it onto a vacant site in their area; ForWard Nine, a group seeking funds to buy existing units in the beaches area of Toronto.

These self-help groups are not greeted as warmly by government agencies as the service clubs and institutions. None of the non-profits, however, is welcomed with the enthusiasm reserved for builder-developers. The non-profits are amateurs. Dealing with them requires patience. Officials, frequently with a strong production orientation, see little point in wasting time with organizations who cannot produce as cheaply or quickly as the professionals. In the case of CMHC, this represents a shift away from views held in the mid '60's.

While the service clubs are amateur builders, their members are frequently professionals, sharing the same attitudes and values as government lending personnel. Housing corporation staffs have less rapport in dealing with neighbourhood groups. They tend to be composed of low income people who view the poor housing in the neighbourhood as only one of many social services which are of poor quality or absent altogether. They are much more political than their service club counterparts and are likely to pose direct challenges to the decision makers and decision processes that result in the undesirable distribution of goods and services.

Government lending officers react not only to political activism and lack of professional ability, but to what they perceive as a substantial increase in the lending risk. They are concerned about the ability of community or neighbourhood non-profits to plan, supervise construction, and ultimately manage the building. The result is a great reluctance to become involved in funding their projects.

This study recommends, as CMHC policy advisers have for some time, that a concerted effort be made to develop the capability of non-profit organizations to build and operate low income housing, not only for the elderly but for single individuals and low income families as well. The European experience demonstrates the viability of using private non-profit housing as an alternative to state-provided public housing. Reliance on a large state bureaucracy as the sole delivery mechanism is avoided. Interested local citizens and organizations can be involved in a community's housing problems. End costs are frequently lower since land and services are often provided at below market rates to assist community "good works".

It is especially important that assistance be given to local, self-help, neighbourhood groups. It is unlikely that these groups will produce a substantial volume of new housing when compared with service clubs or institutions, or with more broadly based cooperatives. Their emphasis will be on existing units located within their neighbourhoods — on improvement, or acquisition to control rents, or both. Even here, volume will not be that great.

These groups have learned (particularly from their experience with urban renewal) that if they do not help themselves, no one else will do it adequately. And the financial costs of a self-help program are minimal. If a self-help, non-profit program is not available, then a public housing or institutional non-profit program will have to provide the housing. But neither of these

carry the satisfaction that comes with doing the job alone, rather than relying entirely on state or institutional help. Neither can create the same sense of control of one's own destiny. Encouraging self-help in housing will not solve all the problems associated with poverty, but it will allow some increase in security of tenure and in pride of community.

To increase participation by both self-help groups and community-wide organizations and institutions, the following changes are necessary:

(1) The federal housing agency must abandon its present role of banker and approving authority only. It must assist those groups in the planning and development of projects and in the acquisition of management capability and expertise.

(2) The federal housing agency must either directly provide the technical expertise to assist the institutions in planning their projects, or the funds to hire competent professionals to assist in project planning. The public sector must be responsive to unusual applications, patient and willing to allow what may initially be vague and somewhat nebulous proposals to evolve into firm plans.

(3) Funds must be provided to assist the groups in organizing and reaching the stage where they can develop proposals. Such funds (normally in the form of grants) are not likely to amount to a major expense.

(4) The requirement of an equity interest must be eliminated (as suggested by CMHC in 1965 and 1967). Equity is the banker's insurance against misconceived projects. It has not protected the Corporation against poor low income housing projects. This report suggests that a far better protection against poor proposals is not equity or exercise of an approving authority, but participation in project development either directly in providing the expertise or indirectly with financial assistance so that groups can obtain expert services. With either form of participation, the government assumes responsibility for the quality of the development as a participant and not merely as an approving authority. By removing the equity requirement, the government acknowledges that social housing is primarily a social asset and not the property of a particular group making a 5 per cent investment.

(5) The increased responsibility will extend to the management side of housing as well. The shelter concept of housing leaves building operation to the project owners. Production is all that counts. Several important experiments which CMHC had the courage to fund have fallen into trouble because the lender's interest stopped with building completion. Rochdale is the prime example. With experienced advisors on housing management, it would have had a much better chance for survival. That housing management experience must be made available: (a) directly, (b) through the funding of institutions like the Cooperative Housing Foundation, St. Francis Xavier University, etc., or (c) by grants to the building owners to hire professional management. In addition to sponsoring more professional management, the government should encourage institutional borrowers generally and service clubs in

particular to permit maximum participation by tenants in the planning and management of the projects.

(6) Responsibility for project approval (where the federal housing agency is lending directly) and for the direct provision of technical expertise (whoever the lender is) should be transferred to the branch level. That will allow the development of housing which fits local plans and tastes and responsive advice which is available full time. Retraining and educational leaves will be required for some personnel, together with a recruitment drive to find socially oriented professionals where increased staffing is required.

(7) Research and program evaluations done at the regional and national levels should be made available to the various groups, to increase the range of possibilities which they consider and to allow them to avoid errors made by others.

Full Recovery Housing: Cooperatives

A cooperative is a consumer enterprise owned and operated by its members on a non-profit basis. Housing cooperatives can be broken down into building cooperatives, in which individuals pool their energies to build together homes which will be owned and occupied individually in the normal ownership pattern and continuing cooperatives, in which individuals join to develop and operate housing to be owned collectively and occupied by members of the cooperative. In many West European countries continuing cooperatives have been responsible for from one-fifth to one-third of annual housing production. They have had strong institutional and financial support from their governments, who have found this non-profit, participatory form of housing production and management a useful substitute for municipally-owned, subsidized housing.

Recommendations were made by the Curtis Committee in 1944, by the Cooperative Union of Canada in 1962, by the Murray report in 1964 and the Hellyer Task Force in 1969 for the development of a strong urban cooperative housing program. In 1968, the National Commission on Urban Problems in the United States recommended that recognition be given to the "tremendous potential" of cooperative housing. It pointed to both the economic and social benefits derived:[16]

> The cooperative member on initial purchase can enjoy lower closing costs.
>
> Not only the purchase, but also the sale involves easier, cheaper transfer for the cooperative members. Instead of broker fees, financing fees, title costs, and so forth, the member pays the cooperative a small handling charge (which is typically not more than $25 in low or moderate-income projects).
>
> Lower utility and maintenance costs are often achieved by cooperatives

[16] *National Commission on Urban Problems* (Washington: 1971), pp. 140-2.

through master meters and volume purchases of supplies used for repairs or renovation.

Lower costs for parking, recreation, and community facilities can be realized in cooperatives when these facilities are pooled.

More favourable terms on mortgages, in recognition of the more permanent character of cooperatives, reduces monthly carrying charges for members. Instead of a 15 to 30 year amortization period, cooperatives have obtained 40-year mortgages.

On purchasing new construction (as against used housing), the cooperative has protection against added costs that typically face the private owner having a home built for him. Cooperatives of the consumer-oriented management type obtain fixed-type contracts from the builders.

In older housing in public-assisted cooperatives, inflated real estate values are not added to the price, keeping the down payments and monthly carrying charges lower.

Joining in a cooperative housing project gives common interests to different families and at once broadens their interest. They have something which they own together. If their venture succeeds, they will be better off; if it fails, they fail also. This necessity to promote its success produces a greater degree of fellow feeling. Except among the most selfish, working together produces a feeling of identification and a desire to help, which is desperately needed in city life. It can help turn anti-social individuals into self-respecting, cooperating members of society.

The social benefits of cooperatives include the following:
The cooperatives elect their own boards and run their own affairs with democratic control.

The development of a cooperative spirit in housing carries over to other aspects of life. Thus cooperative members often attract or manage cooperative groceries, cooperative nurseries, cooperative day care centres, cooperative summer camps, cooperative utilities and cooperative recreation centres.

The cooperatives develop pride of ownership, leading to stable, attractive communities.

Vandalism, crime and delinquency have been non-existent or very low. A 40 year old cooperative in the Bronx proudly points to a record of no arrests for crime or juvenile delinquency. Managers of New York cooperatives assert there is no breaking of windows or other vandalism in the thousands of units they supervise. Cooperative ownership generates a greater degree of responsibility. Despite the doubts expressed by some when cooperatives moved into housing for lower income families, they have met their mortgage bills, and have not only maintained their properties but have improved them as well.

CMHC has been impressed by the self-help efforts of building cooperatives in Nova Scotia. Since 1953 it has financed, with the province, some 3,149 units. Its faith in self-help can also be seen in its support for shell housing programs in the assisted homeownership sphere. But this approval of self-help to solve housing problems has not carried over to continuing cooperatives. They are felt to be unsuited to Canadian life styles.

The words of one CMHC policy adviser sum up the attitudes of senior officials:[17]

> Perhaps the strongest claim for a preferential attitude towards cooperatives springs from an evangelical point of view associated with the cooperative movement. The cooperative movement is based on a genuine and admirable socialist view that people should be able to conduct their own affairs for their own well-being, without the element of private profit and without being prejudiced by outside economic interest . . . To live in a city neighbourhood happily and successfully, people find that they must maintain a polite but somewhat withdrawn "arm's length" relationship with neighbours. These harmonious relationships can be easily upset when issues of a quite different kind are introduced. Home is a very private thing and anything to do with one's own private affairs is best kept independent and separate from the friendly contacts with neighbours. This is the nature of life in cities and city people are wise to avoid getting into situations that may cause disagreements, friction and entanglements with neighbours. I can't imagine anything more likely to jeopardize this kind of stability of family life than becoming involved in a venture of cooperative housing.

Curiously, the Corporation has encouraged the development of condominium housing in which the same close contacts with neighbours and self-management are present. They are not seen as difficulties when individual units are owned by their residents. But CMHC dislike for cooperative housing continues.

Perhaps more important than the difference in attitudes regarding life styles were disagreements respecting the importance of the role of the entrepreneur in the low income housing area. In response to a request for technical assistance to be provided to cooperatives by the Corporation, one executive wrote:[18]

> All the (cooperative) representatives seemed to feel that there is something sinister in the institution of the entrepreneur and that in some manner it should be replaced by amateur groups, self-interested but ignorant citizenry guided by the wisdom of experts provided free by the State.

That of course, is what CMHC has recommended in the case of nonprofit housing provided for senior citizens by service clubs. Apparently, different standards apply to community groups trying to help themselves and professional groups doing their civic duty and assisting the elderly poor.

In 1944, the Curtis Committee recommended that the NHA be amended to include special sections (under the terms relating both to homeownership and low rental projects) to extend the available facilities to cooperative associations whether urban or rural. In the rental field, cooperatives were to be placed on the same basis as local housing authorities or limited dividend corporations.[19]

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[17] *CMHC Memorandum*, October 11, 1963.
[18] *CMHC Memorandum*, May 24, 1963.
[19] *Advisory Commission on Reconstruction* (Ottawa: King's Printer, 1944), Vol. IV, p. 9.

The proposals were premised on potential cost savings and on social benefits to be derived from a strengthening of the ideals of neighbourliness, self-help, and mutual aid, rather than the individualism of single family homeownership.

The recommendation was ignored and in its place the government passed the forerunner of the present section which provides only for loans to cooperatives. In 1954, the Act was amended to provide for the insurance of loans made to cooperatives by approved lenders, thereby permitting CMHC to make such loans if those lenders were unwilling to do so. Cooperatives have not explicitly been afforded the status of low rental housing agencies.

Preferred Loans for Cooperatives

For twenty-five years cooperators have sought access to the preferred lending rate offered to public housing agencies, entrepreneurial limited dividend builders, and non-profit corporations. The first attempt was a request from Vancouver for a loan to a cooperative at the preferred rate. The CMHC response was that the proposed project was not really rental housing but was instead designed for homeownership. The project was typical of small building cooperatives in which individuals pooled their credit, time, and energy to build single family houses which would be owned individually, rather than the continuing cooperative model in which the cooperative owns the building and the participating shareholder is a tenant or licensee in the multiple structure.

In 1948, the Cooperative Union of Canada presented a brief to the Minister that called for a declaration of policy affirming that cooperatives were eligible for L.D. loans. The brief was rejected on the grounds that cooperatives represented a form of homeownership and this was the primary attraction for members. The main concern of Corporation officials appears to have been that if the preferred lending rate had been made available to cooperatives it would undercut the policy of denying preferred direct loans to individual homeowners.[20] Direct federal lending to individual homeowners at preferred rates was viewed as a threat to the entire interest structure of the economy.

In 1962, the Cooperative Union again raised the issue when it recommended that the preferential interest rates provided for people of low income, university students, and elderly persons be made available to cooperatives whose members fall within those broad classes. The government failed to respond and the feeling within CMHC was that any follow up steps were entirely a question for the cooperative movement itself. The government position did begin to shift slightly, however. Cooperatives were now considered eligible to borrow under section 15:[21]

> It is difficult to see how a cooperative could undertake to reserve occupancy for special groups of low income or otherwise disadvantaged people, and still remain a cooperative but if it could, there does not seem to be any reason why it should not qualify for the special lending terms provided in the Act for such projects. In such a cooperative

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[20] *Memoranda,* President to Minister, April 6, 1949; April 12, 1949; September 11, 1950.

[21] *CMHC Memorandum,* May 21, 1963.

> project, however, the tenants themselves could have very little control over occupancy, either their own or that of others, and this does not seem to be characteristic of what cooperative housing usually seeks.

The difficulty with the shift in the CMHC position is that it envisages a limited dividend loan to a cooperative organization (i.e. a credit union) whose primary activity is not housing. It would not be composed of residents of the project who raised the equity and owned shares in the cooperative. Rather, the existing organization would raise the equity, build and operate the project, and police the income and other eligibility requirements of the tenants.

In 1968, the Cooperative Union of Canada and the National Labour Congress formed the National Labour Cooperative Committee and began to promote cooperative housing organizations at the local level. A project in Calgary, launched by building trade members, was one of the first to develop. When the local branch of CMHC sought Head Office clarification on the question of eligibility for a section 15 loan, Head Office responded that a union could provide a limited dividend project if it proceeded in accord with the general criteria for the acceptability of a limited dividend borrower.

> Any families which it proposes to house must, of course, meet the income requirement. Furthermore, the Charter of the company would not be acceptable if it contained any restrictions as to particular low income families that would be housed.[22]

In other words, the cooperative would not be able to give preferential treatment to members of the building trades. In response to the Calgary request and other enquiries, the government position seemed to be shifting once more. In a proposal for legislative change, the Corporation recommended:[23]

> It is proposed that the definition of a limited dividend company in section 15 be widened so as to include certain housing cooperatives comprising low income families. Specifically, a housing cooperative would only be eligible under this definition if it was a low income continuing cooperative with the members owning shares in the cooperative and having possession, but never becoming owners of the individual units (e.g. Willow Park). . . . such cooperatives would be entitled to 95 per cent loans repayable over 50 years at a preferred interest rate — the same terms as are proposed for loans made on limited dividend projects. The low income requirements governing these cooperatives would also be the same as the limited dividend projects so that the operating agreement with the cooperative would ensure that shares in the cooperative which carry the right to the possession of individual units were only sold to low income groups during the fifteen year "lock in" period.

This was precisely the revision to the Act which the cooperatives had been requesting.

When the Act was amended in the spring of 1969, section 15 was

[22] *CMHC Memorandum*, January 17, 1968.
[23] *Memorandum*, President to Minister, February 6, 1969.

changed significantly and the eligible borrower was described as any "person", rather than as a "limited dividend company". To the cooperatives, their work to obtain a revision in the terms of this section of the Act had been successful. The notes to the amendment, the parliamentarian's version of the Act, and a statement in the CMHC publication *Canadian Housing Statistics*[24] seemed to indicate that cooperatives were now eligible for section 15 loans.

With the desired legislative changes apparently in hand, the Cooperative Housing Foundation (the implementing arm of the National Labour Cooperative Committee) sought assurances that the preferred lending rate would be available under section 15 and that loans would be forthcoming. None were given:[25]

> We are presently prepared and authorized to provide loans to the same level and covering the same amenities for cooperatives as for any other form of housing ownership. We took the view when the brief was originally presented to us that section 15 however provides favourable interest rates for low income tenants whose entitlement to occupy the housing ceases when they cease to require the subsidized interest rate. This means, for practical purposes, that we would finance a project sponsored by a cooperative in precisely the same manner as one sponsored by any private developer, subject to the same provisions for rent control and income eligibility limitation. The cooperatives on the other hand, while relying on the technicality that the occupant is a tenant, promote entirely the concept of ownership rather than tenancy, and they have indeed proposed that the tenants provide the equities required to finance their units. We feel this to be inconsistent to the basic concept of the legislation as it is presently written.

Thus, in seven months, the Corporation completely reversed its position. Its recommendation to the previous Minister that section 15 be widened to permit loans to a cooperative "only if it was a low income continuing cooperative with members owning shares in the cooperative" was brushed aside. The fact of equity in the cooperative and its promotion on the basis of similarity to home-ownership were once again noted as characteristics inconsistent with the basic concept of the legislation, despite the existence of the amending legislation and the notes to the admendment.

Cooperative leaders, having had little success convincing CMHC of their entitlement to preferred loans, sought a meeting with the Minister. Though sympathetic, he made no clear statement on the borrowing rights of cooperatives under section 15:[26]

> There is no doubt that cooperatives might also effectively act as the sponsors of rental housing projects for low income families, funded under section 15 of the National Housing Act. As I recall, we agreed

[24] The 1969 CHS states, for example, that under the changes in section 15, "Loans may be made to any person or any type of organization, including a cooperative" (p. XVI).

[25] *Memorandum,* President to Minister, September 24, 1969.

[26] *Letter,* R. K. Andras to National Labour Cooperative Committee. November, 1970.

> that you would explore with Central Mortgage and Housing Corporation, the possibility of developing an initial exploratory project. I am very hopeful that workable techniques can be developed which will permit occupants to own equity in the project, and when they are able to do so, pay fully economic rent.

Subsequent internal CMHC memoranda indicate that the Corporation clearly understood that the Minister would approve section 15 loans to cooperatives even though the tenants must provide the equity. But the Corporation has refused to process any loans under that section. All loans have been made under section 58, the direct lending for homeownership provision, as part of the special assisted homeownership programs of the last two years.

The cooperative movement has been left unsure of continued funding, since it appears to be tied to special programs, and thus unable to plan from one year to the next. In addition, the peculiarities of the special programs have required the cooperatives to aim at a lower income group than would have been permitted under the section 15 program, at a time when they were struggling to attract members and needed as broad a range as possible within the low income group.

Seldom in the entire discussion of Corporation policy toward cooperatives is there any consideration of the possible advantages of continuing cooperatives, despite the strong recommendations and full discussion in the Curtis, Murray and Hellyer Reports. Although the NHA is viewed by the Corporation as a flexible instrument, subject to broad interpretation and pragmatic administration, the CMHC analysis of the appropriateness of funding cooperatives became bogged down in sterile word games over the meaning of low *rental* housing.

It is clear that housing owned by a cooperative and rented to shareholders of the corporation that owns the housing is conceptually rental housing. In a very limited number of cases the law will pierce the corporate veil and equate the position of a shareholder with that of a corporation, where there are compelling reasons of policy which dictate that interpretation. We can see no compelling reasons here. With the advent of condominium, the distinction should be clear between ownership of a unit in a multiple building and membership in the corporation which owns the building and leases to the member. In a condominium, the unit owner has absolute title to the specific unit, can repair or improve it as he wishes, benefits from increase in resale value, pays property taxes, receives the compensation if expropriated, etc. The position of a single family owner in fee is translated to a multiple building as completely as possible. In a cooperative, the position is reversed. The owner has only a claim against the corporation, his landlord, for the right to possession, or to share in the proceeds of sale or expropriation. In non-profit cooperatives, he is not entitled to any appreciation in value. He cannot change or improve his unit without permission of the cooperative. The cooperative pays the taxes. He is a tenant who owns a part interest in the landlord corporation, which entitles him to a voice in the manner in which it is run.

The 80 per cent Membership Requirement

Another obstacle to the promotion of cooperative housing is the interpretation of the legislative requirement that the Corporation be satisfied that upon completion, at least 80 per cent of the units will be occupied by members of the cooperative association. The provision was originally inserted to prevent the use of the building cooperative technique for speculative building purposes.

While the legislation merely provides that a loan is not insurable (and, therefore, by inference that a direct loan cannot be made) unless the Corporation is satisfied that *upon completion* 80 per cent of the units will be occupied by members, the provision has been interpreted to mean that *prior to loan approval* 80 per cent of the members must have agreed to purchase a unit. The CMHC general instructions provide:

> 5 (2) The Act requires that 80% of the units in the project must be occupied by shareholders of the cooperative. Responsibility for ensuring that this is the case lies with the lender. Before direct financing may be approved, at least this proportion of the total membership must be signed up as shareholders and accepted as borrowers. Ideally, the membership should be 100% subscribed and accepted before advances are made.

Implementation of the instruction has varied considerably. Cooperative proponents are usually told that a loan will not be approved until 80 per cent of the members are signed up. In actual negotiations for a loan this is changed to a requirement that 80 per cent be signed up before a loan is advanced, although approval may be granted with less. Yet, even this position is not held consistently. In one case, the loan application was approved on the understanding that the 80 per cent requirement would be met before any money was advanced. Once construction was underway, however, senior CMHC management reduced the required percentage to 50 per cent. In another case, the *initial* requirement was that 50 per cent of the applicants be signed up before any loan advance would be made. In yet another, the position was taken that no loan advances would be made until 50 per cent of the units were *occupied* by members. In a fourth, the branch manager viewed the 80 per cent requirement as the responsibility of the cooperative and therefore made advances without reference to signed up members.

The legislation leaves it to the Corporation to satisfy itself that 80 per cent of the units will be occupied by members of the cooperative. There are several ways of doing so. CMHC could, for example, satisfy itself by reference to the charter of the cooperative association and perhaps a letter of intention from prospective members. The method chosen is exceedingly stringent and means that the applicant must obtain agreements to purchase shares from persons of modest income, at a point in time when the cooperative is in its formative stages, cannot show prospective members the housing to which they will be entitled, and may not yet have a site which it can show them. Yet a prospective builder wishing to construct a low rental housing project, or to obtain a section 58 loan for a rental building, is not required to obtain a previous

commitment by potential lessees, nor is he required to demonstrate in advance that he has raised the necessary equity.

The 80 per cent membership requirement presents another conceptual difficulty. All cooperative projects for which loans have been made to date involved the "mother-daughter" approach — the project is planned and developed by a parent, sponsoring organization, with the intention that it ultimately be owned and operated by a daughter cooperative consisting of residents of the project. In some cases the membership of the boards of directors of both organizations has been virtually identical. In others they have been completely separate. In still others, the mother cooperative is set up first, with the intention to transfer to a daughter to be formed. In the first two cases, the loans have been made to the daughter cooperative. Where only the mother cooperative was in existence, loans have been made to it without difficulty and without application of the 80 per cent rule. On a recent application by the Citizens' Housing Committee of Metropolitan Toronto, however, CMHC insisted that a daughter cooperative be formed to take the loan, as the Act requires that 80 per cent of the units be occupied by members of the borrowing cooperative. CMHC also indicated its interest in seeing that the eventual occupants were involved in the development process, as "that educational factor is one of the major reasons for supporting cooperative housing". The Corporation having paid lip service to participation in its public housing program and having ignored it in the limited return and non profit programs, has made it a prerequisite for cooperatives.

Both the American and European experience indicate the need for a sponsorship approach if any volume of cooperative housing is to be built. A small organized group is necessary if any project is to get underway. The sponsoring group is more likely to come from organizations affiliated with cooperatives than from persons looking for housing, particularly because of the level of knowledge and experience necessary to put together a development proposal which is likely to be acceptable to municipal planners and financial institutions. Because it is most difficult to hold the interest of a large group over the one to two year period frequently required to pilot a proposal through to approval, it is impractical to expect the participation of 80 per cent of future residents in development decisions. Rather, the objective should be to encourage the sponsoring group to work closely with potential residents, and enable those who wish to be active to participate. A sponsorship approach provides a vehicle to mobilize the resources of voluntary organizations for direct action in housing, in cooperation with potential residents, and to allow control of the project to pass to the residents upon completion.

This discussion serves to underline the wisdom of the Curtis Committee recommendations made nearly thirty years ago. Cooperatives should be covered in a separate section of the Act which deals with their organizational problems in more depth and with more sophistication than the twenty-seven year old 80 per cent membership requirement. Entitlement to preferred lending rates should be clearly established, together with the conditions under which they apply. Section 15, with its limited permissible income range for tenants,

is clearly an undesirable vehicle to fund cooperatives which are capable of reaching a much broader income range and thereby avoiding the stigma of "poor people's housing".

Cooperatives as an Alternative to Public Housing

Considering the unwillingness of the Federal government to allow co-operatives access to even the government borrowing rate, it is not surprising that they have not been used in the past as an alternative to public housing for the very low income group.

In the last two years, there have been several experiments with the use of cooperatives for that purpose. One arose from the difficulties presented by the narrow income range permitted under section 15 and assisted homeownership programs. As applied to cooperatives, they have the effect of requiring a member whose income level exceeds the maximum limits to sell his shares and give up his unit. An arrangement was worked out with CMHC under the 1970 and 1971 innovative programs whereby a member in that position could pay a surcharge and remain in possession. The funds produced by the surcharge are then used to provide units at reduced rents to low income tenants. It appears that, with the termination of those special programs, the surcharge arrangement will no longer be permitted.

There were several problems with the arrangement. Low income tenants still had to have the necessary 5 per cent equity and in order to continue to offer those lower rents, the cooperative had to be certain that other units would constantly be occupied by higher income members paying a surcharge and providing the necessary surplus. That would probably be the case, but moderate income cooperatives could not afford to take the risk of losing surcharged tenants and continue to carry low income ones. What is needed is a government agreement to meet the difference between the break even rent and the rent offered a low income tenant, in the event that the surplus from the surcharge dries up.

This entails an acknowledgement that private non-profit sponsors are legitimate vehicles for housing subsidies. It is difficult to conceive of any reason to reject that position. In its favour is the possibility of broadening the income mix in low rental housing projects and allowing access to an alternative form of management and operation in which the occupant can participate in the administration of the building.

A small step in this direction was taken in a Vancouver project in 1971. The three levels of government entered into an agreement with the cooperative under which ten units would be leased to families requiring public housing assistance. The cooperative would be designated a local housing authority under provincial legislation so as to qualify for operating subsidies under section 40 of the NHA. The federal and provincial governments would contribute the equity required. Selection of the low income members would be done jointly by the cooperative and the public authorities.

Program Prospects

By mid-1971, there were only two projects completed and occupied (outside of Quebec), and loan applications had been approved for another eight, most of which were under design and/or construction. Under the circumstances, there is little point in analyzing the program output. Of greater importance are the organizational developments to date and the assistance required if a substantial cooperative housing program is to be mounted.

The Cooperative Union of Canada and the National Labour Congress joined in 1968 to form the National Labour Cooperative Committee which, in turn, formed the Cooperative Housing Foundation as its implementing arm. The Foundation's major activity is promotional and educational, and from its sponsoring agencies and CMHC it is assured of sufficient funding for the next five years to employ one organizer and distribute some promotional literature.

There are larger, more firmly established organizations in several of the provinces. The Cooperative Housing Association of Manitoba built the first continuing cooperative project in the country. It has nine staff members and is embarking on an expanded program, with plans for a 300 unit project in Thompson. It has commitments of support from the province by way of interim financing and repayment of development expenses if the project is not successful.

The Federation of Housing Cooperatives of Quebec ("Co-op Habitat") has been the most productive in the country. From 1968 to 1970 it built 1,157 units and had 275 under construction. It has worked very closely with the province. The latter has obtained a block loan of section 15 non-profit funds under the Master Agreement and has loaned the money directly to the Federation. It has not been impeded by the problems of interpretation arising out of the refusal of access to section 15 funds and the 80 per cent membership rule which confront cooperative organizations which deal directly with CMHC.

This more liberal attitude of the QHC can be traced to a number of causes: the social ferment in the province and a number of reports in the mid-60's dealing with housing problems; the importance, particularly in the area of Quebec City, of the Federation as a builder of detached single family units for sale to members (9,503 units from 1948 to 1968, i.e. almost 500 per year); a report by the Quebec Cooperative Council, prepared in 1967 with the support and collaboration of some Quebec civil servants, proposing a re-orientation of the Federation's program to multiple-family, high density urban projects; close informal ties between the Cooperative Council and the QHC.

The Federation ran into financial problems in its first year from which it has not recovered. It planned for the construction of fifteen projects at a cost of $12,000,000. An agreement was signed with the QHC providing that 8 per cent of that amount could be applied to its administrative expenses. It hired 68 employees, opening a head office in Quebec and a regional office in Montreal. Only four projects were built at a cost of $5,000,000. Revenues were half those expected and the Federation immediately went $500,000 in the red. It has had to seek a further loan from the cooperative movement, let half its staff go, and

shut down its Montreal office and its real estate department. It has also been plagued by vacancies in a major project built in Laval in 1970 (which have resulted in further losses of $200,000) and by problems with internal administration and personnel (the position of Director was vacant for four months). The financial situation became so bad that in May of 1971 the financial institutions of the cooperative movement took the Federation into receivership. It is clear that the Federation will either have to be dissolved or bailed out by the senior levels of government. If the value of cooperatives as an alternative mechanism to the equally expensive provincial housing organization is appreciated, financial assistance may be forthcoming.

The Ontario Habitat Foundation was formed last year. The initial sponsors were the Ontario Credit Union League, the Ontario Federation of Labour, the Cooperators' Insurance Association, and the United Cooperatives of Ontario. In addition to funding from these organizations, an initial grant of $12,500 was made by OHC. The other members of the Foundation are the development cooperatives in the cities of Windsor, London, Ottawa and Sudbury.

Unlike the Quebec Federation, the Ontario group will not develop projects itself but will assist local groups with projects currently underway and in the development of new projects. Given this definition of its role and a limited budget, it will operate with a small staff and occasional assistance from consultants. A comparison of the two provincial bodies is instructive.

The Quebec Federation came into existence at a time when there was only one active local group, the Duberger cooperative in Quebec. It was a "Federation" of non-existent groups. It then organized regional units, members of which would found the local cooperative. The local cooperative was viewed as a temporary agency that would ultimately transmit control of the project to the residents. All projects have been developed and built under the control of the central Federation.

Because of vacancy problems, the Federation has not chosen tenants carefully, on the basis of interest in cooperative living. It has made no move to transfer membership and control of projects to a cooperative composed of the residents. It has been too enmeshed in its financial problems and staff cutbacks (which, for example, resulted in the loss of five social animators working in the projects) to come to grips with the problem. The tenants in the projects built have formed an association and demanded the right to participate in the decisions of the Federation.

When compared with the rigid, top-down planning and implementation in Quebec, the Ontario Foundation seems more of an afterthought. At is inception there was a continuing cooperative in existence in Windsor, projects approved and under design or construction in London and Toronto, and local groups planning another half dozen projects in those three cities and in Sudbury, Kingston and Ottawa.

Each of these groups has its own resources. The Cooperative Habitat Association of Toronto has a full-time development man, a manager, and a community worker. Two other Toronto groups have contracts for consultant

services as required. The Windsor group has support (both financial and organizational) from the U.A.W. local. The London group had support from the three major churches in the area and industrial and craft unions.

With that kind of local organization, what is the role of the provincial Foundation? While the groups have strong local support and some have boards of directors including local professional elites, many have had development problems. The Windsor project had problems with project design, an unexpected rent increase resulting from failure to provide a contingency allowance for increased costs, and inadequate preparation of the daughter cooperative for the responsibility of project management. Much of the difficulty has involved interpretation of the unclear provisions of the NHA. The Alexandra Park group was told that a parent development cooperative could not obtain a loan and would have to establish a parallel daughter cooperative. Another Toronto group has been told that the legislation does not allow loans to cooperatives for the acquisition of existing units. The London and Alexandra Park groups had difficulty in determining the income levels permitted when a preferred loan was obtained under the special programs in the last two years.

The role of the Foundation will be to assist local groups to deal with these problems: to provide technical assistance in the planning and development by the parent cooperative and in planning for the transfer of the management function to the daughter; to act as a channel of communication among local groups and between them and the Foundation's sponsoring agencies; to act as a spokesman and lobby for the local groups with the federal and provincial housing authorities.[27]

The only other province with a provincial organization is Saskatchewan. Its Cooperative Residences (Saskatchewan) Limited has built no housing, although it has provided technical assistance to student cooperatives. The inactivity stems from the depressed economic conditions in the Province and lack of building activity generally.

Province-wide organizations do not exist in any of the other provinces. The Canadian Housing Federation has been attempting to promote a regional organization in the Maritimes. The only organization active in any of the provinces is Maritime Cooperative Services, a regional organization which is planning its first housing effort. There was one in B.C., Western Cooperative Housing Society, but it experienced financial difficulty on one project and no longer exists. The provincial governments in B.C. and Alberta are not sympathetic to cooperative activity and provide no support. The impetus in those provinces has come from the local groups in the three major cities. The Vancouver group, the United Cooperative Housing Society, has a project underway under the supervision of one full-time staff member hired with seed funds provided by the B.C. Federation of Labour and the Carpenters' Union. The Cooperative Housing Association of Calgary is receiving management and administrative assistance from the City Centre Credit Union.

[27] CHAM, the Manitoba cooperative, appears to follow closely the Quebec format, in that it is unwilling to work with local groups which approach it for assistance and insists on complete development control itself.

Space does not permit a detailed review of the organizational and development problems experienced by the various local groups. The background paper prepared for this Study[28] makes it clear that substantial technical and organization assistance is required in the formation of developer cooperatives, in planning programs and projects, and in developing resident organizations with management skills. The federal government has opted to provide financial assistance for the creation of a national federation, whose primary functions are educational and stimulative. If it adopts a policy of supporting cooperative housing, assistance must devolve to provincial and local groups active in such program and project development.

That assistance can take the form of:

(1) funding centralized provincial organizations, as in Quebec and Manitoba, to hire, staff, plan and develop;

(2) funding a central consulting agency as in Ontario;

(3) providing development funds to local groups. (The recent offer of the Manitoba government to guarantee development costs in Thompson is a useful model. If the project proceeds, the costs will be recovered from the building mortgage. If it does not, the province will reimburse CHAM.) Where no provincial agency exists, funding directly to the local group should be open;

(4) some of the basic technical services can be provided by the federal or provincial housing organizations — again with the costs recoverable from loan funds if the project proceeds.

The formula chosen in the particular case must depend on the institutional and political realities in the particular provinces. The federal government should establish a cooperative housing unit in CMHC, staffed with persons sympathetic to the goals of housing cooperators and encourage interested provinces to do likewise. It should also take the lead in funding provincial and local cooperative organizations.

Recommendations

We recommend that separate legislation be enacted covering loans to cooperatives. The new provisions should permit loans at preferred interest rates to bona fide cooperative groups who intend to provide housing to be owned and operated by the residents of the project. As in the case of other non-profit groups, loans for one hundred per cent of cost should be provided. Projects should serve a broad income range, from those requiring subsidies to those whose incomes exceed the limits for assistance. If unit subsidies are retained, they should apply to cooperatives. The right of members whose incomes rise above assistance levels to pay a surcharge and remain on should be assured. Organizational assistance should be provided directly, via provincial and local groups, and through service groups and universities. Grants should be made available for that purpose.

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[28] J. Jordan, "Cooperative Housing in Canada", to be published.

Chapter 7

Assisted Homeownership

The Development of Federal Policy

Until recently CMHC has exhibited a distinct preference for homeownership in its lending activities, particularly its section 58 direct lending program. Within that program, the preponderance of units financed has been single family rather than multiples. The ratio of single family to multiple units ran from a low of three to one in 1967 to a high of thirty to one in 1959. Interestingly, while federal lending policy has favoured homeownership, federal tax policy has not. Unlike the U.S. and the U.K. legislation, Canadian income tax provisions do not allow the deduction of interest payments on residential mortgages from income.

The homeownership emphasis is best seen in periods of heavy lending by CMHC. In the 1958-9 period and in 1965-7, when housing policy was being used as a stabilization tool, critical decisions were taken to fund middle income, single family units rather than multiple units for middle income and, more significantly, low income use. Those lending patterns can be seen in Table 1. That support for homeownership tenure has not been extended to low income housing programs. From 1957 to 1967 from five to fourteen times as many units were produced under the section 58 program (at market interest rates, for upper and middle income families) as were produced under its low income programs.

The federal government has a long tradition of opposition to assisted homeownership programs designed to reach the low income group. That opposition arises out of:

1. the belief that construction for sale and lending for homeownership should remain as private activities;

2. the anticipated additional cost to the federal government of an assisted homeownership program;

3. the inability to find any conceptual difference between a rental-purchase and a subsidized rental scheme; and

4. objection to subsidizing the acquisition of an asset by a private consumer rather than a producer-operator.

When the federal-provincial partnership provisions of section 40 of the National Housing Act were discussed with the provinces prior to the enactment of the legislation, Ontario, Quebec and British Columbia felt strongly

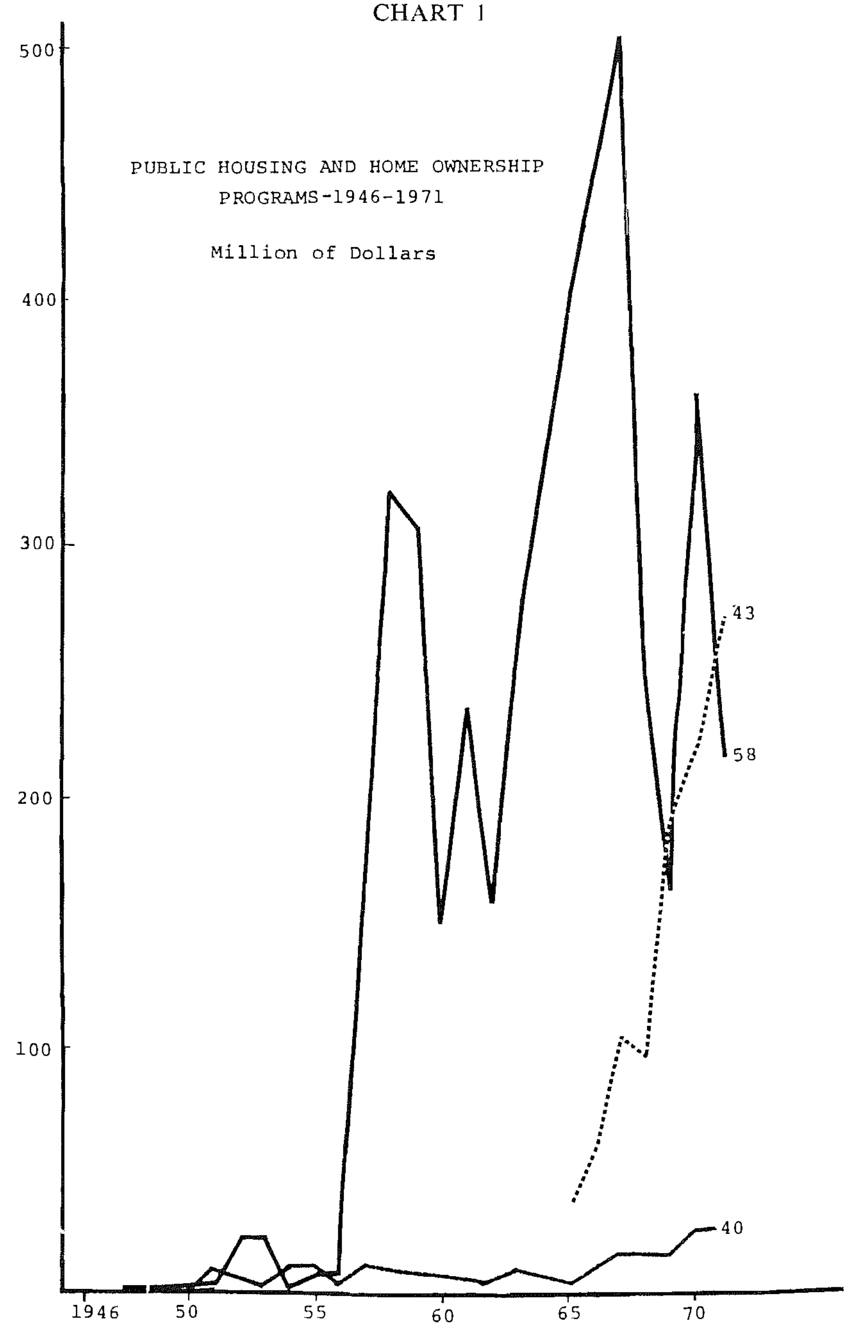
Table 1

MORTGAGE LOANS APPROVED BY CMHC BY TYPE OF DWELLING, CANADA — 1957-1970

Period	Dwelling Units									
	Aids to Low Income Groups			*Other*			*Total*			
	Single Detached Dwellings	*Multiple Dwelling Struc.*	*Total*	*Single Detached Dwellings*	*Multiple Dwelling Struc.*	*Total*	*Single Detached Dwellings*	*Multiple Dwelling Struc.*	*Total*	*Hostel Beds*
	New Residential Construction									
1957..........	—	3,980	3,980	17,445	3,879	21,324	17,445	7,859	25,304	484
1958..........	—	6,842	6,842	28,045	3,729	31,774	28,045	10,571	38,616	—
1959..........	—	4,769	4,769	28,520	952	29,472	28,520	5,721	34,241	92
1960..........	—	1,591	1,591	13,428	913	14,341	13,428	2,504	15,932	30
1961..........	—	3,326	3,326	19,117	1,958	21,075	19,117	5,284	24,401	2,231
1962..........	—	1,480	1,480	12,771	1,076	13,847	12,771	2,556	15,327	4,925
1963..........	—	2,117	2,117	19,867	3,050	22,917	19,867	5,167	25,034	5,203
1964..........	—	1,939	1,939	23,199	4,801	28,000	23,199	6,740	29,939	8,508
1965..........	20	2,499	2,519	25,620	5,831	31,451	25,640	8,330	33,970	6,932
1966..........	208	5,379	5,587	25,853	6,628	32,481	26,061	12,007	38,068	6,389
1967..........	74	9,551	9,625	23,781	10,813	34,594	23,855	20,364	44,219	12,565
1968..........	37	13,132	13,169	12,242	2,568	14,810	12,279	15,700	27,979	14,263
1969..........	—	26,638	26,638	6,883	1,243	8,126	6,883	27,881	34,764	17,106
1970..........	1,267	50,394	51,661	8,411	6,391	14,802	9,678	56,785	66,463	10,255
	Existing Residential Property									
1961..........	—	—	—	—	—	—	—	—	—	7
1962..........	—	154	154	—	—	—	—	154	154	—
1963..........	—	—	—	—	—	—	—	—	—	86
1964..........	—	—	—	—	—	—	—	—	—	127
1965..........	1	1,718	1,719	2	—	2	3	1,718	1,721	—
1966..........	—	1,337	1,337	8	—	8	8	1,337	1,345	369
1967..........	—	437	437	3,504	250	3,754	3,504	687	4,191	523
1968..........	72	592	664	3,321	394	3,715	3,393	986	4,379	1,812
1969..........	—	1,587	1,587	3,464	426	3,890	3,464	2,013	5,477	1,727
1970..........	188	497	685	1,727	169	1,896	1,915	666	2,581	474

SOURCE: *Canadian Housing Statistics, 1970*. Table 42.

CHART 1


PUBLIC HOUSING AND HOME OWNERSHIP
PROGRAMS-1946-1971
Million of Dollars
500
400
300
200
100
1946
50
55
60
65
70
43
58
40

that an assisted homeownership program was required to increase the necessary volume of low income housing through direct government action.[1] Ontario in particular was very sensitive to increasing criticism of provincial housing inactivity. To answer the critics, Ontario proposed that public housing units be built that could eventually be sold to low income purchasers through an assisted homeownership program. An important element in reaching the low income group in a homeownership program would be extremely low or non-existent down payments.

Although Ontario officials continued to press for such arrangements, the federal Minister was opposed. In a memorandum to the president of the Corporation he wrote:[2]

> I have been reflecting upon a conversation arising out of Mr. Frost's statement respecting the possibility of making homes available under the Dominion-Provincial arrangement without a down payment . . . It has been my understanding that houses built for sale or projects coming into a sales position would be handled either through the loan facilities of the NHA or follow a similar pattern with respect to loans, mortgages and down payment.
>
> I recall that the possibility of rental-purchase entered into our discussions, but I was of the impression that, when it was decided that the down payment would be reduced to about half the former amount and the Federal Government would put up the increased amount of loan, the principle of rental purchase was no longer a consideration.

A subsequent internal memorandum states:[3]

> Although the terms of the arrangement between the Province and the Dominion are wide enough so that other methods of producing houses might be used (other than land assembly and sale to speculative builders) . . . it is felt that the efforts of private builders should be used to default before any serious consideration is given to other forms of house building and particularly direct construction on account of the partnership.

The president of the Corporation responded:[4]

> If the provinces were anxious to proceed with a pattern somewhat closer to rental purchase or lease option, then in order to protect the present N.H.A. position it will be necessary to apply a means test not unlike that which is contemplated for the occupants of subsidized rental housing. Indeed, a rental purchase scheme with virtually nothing down is rental housing — the very thing which the provinces wish to avoid.
>
> My own view is that, when the provinces get down to specific projects, they will find very important objections to the type of arrangement which they now seem to favour.

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[1] *CMHC Memoranda*, February-March, 1949.
[2] *Memorandum*, Minister to President, March 8, 1950.
[3] *CMHC Memorandum*, March 21, 1950.
[4] *Memorandum*, President to Minister, March 16, 1950.

While the schemes may have conceptual similarities for the government administrator, the differences in freedom and status for the low income tenant went unnoticed.

Faced with strong CMHC opposition, the provinces appear to have abandoned their assisted homeownership thrust, at least under the NHA, although Quebec continued to facilitate moderate income homeownership under its Family Housing Act without federal participation.

In 1953, the Nova Scotia Housing Commission was able to persuade the Corporation to fund the construction of cooperative housing projects for sale under section 40. Federal acquiescence seems to have resulted from a combination of local pressure and the small scale nature of the program.

During the mid 50's the federal government moved further away from using direct lending to stimulate low income homeownership. At its inception the program had been used only in centres with populations of under 10,000 where incomes were lower and where approved lenders would not be active. Loans were made only to individual homeowners, not to speculative builders. From 1955 to 1957 there was a shortage of mortgage money from institutional lenders and CMHC in March of 1957 increased its lending activity and widened the list of eligible centres to all under 55,000 in population. In June of that year, the section was opened up completely in order to stimulate employment. The restrictions relating to size of centre were removed and loans were made directly to builders for the first time.

In 1962, an Ottawa builder — Robert Campeau — wrote to the federal Minister responsible for housing regarding the possibility for low-interest loans for homeownership purposes. He advocated the use of the section 15 lending rate and longer amortization to allow reduction of monthly carrying charges, which in turn would allow purchase by lower income families. The Corporation did not respond favourably. There would be administrative problems of policing incomes annually, and of controlling profits, maximum sale prices and resales. These were seen to be matters of civil rights, properly within provincial jurisdiction. Furthermore,[5]

> . . . as residual lender, the Corporation may only make a loan to a homeowner application if the applicant can demonstrate that he has been refused a loan by one or more approved lenders. Mr. Campeau's proposal involves a substantial departure from the residual lending position and would involve the Corporation in direct loans to homeowners that could only be made by the Corporation and could not be made by the private lenders.
>
> . . . Mr. Campeau's proposal would undoubtedly enable families of lower income to achieve home ownership in the form of new housing. The extension of the facilities of the present terms of the National Housing Act to include existing housing would likely achieve the same results.
>
> The National Housing Act recognizes that not all families are able to own their own homes. The Act makes special provision for low rental

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[5] *Memorandum*, President to Minister, November 9, 1962.

> housing projects for low income families in both section 16 (15) and section 36 (40) but also ensures that the Federal Government would not be involved in the direct process of making individual decisions as to eligibility. Mr. Campeau's proposal would undoubtedly be effective, but the discriminatory aspects of his suggestions raise serious questions of policy for the Government.

A federally-sponsored assisted homeownership program was again avoided. It is worth remarking that none of the difficulties cited in the memorandum proved insuperable in the 1970 $200 Million Program and controls of the type suggested had been part of the limited dividend program since its inception.

During the first half of the 60's there was little popular pressure for assisted homeownership. Incomes were rising more rapidly than the carrying costs on single family homes, and there was a substantial increase in the number of people in the lower third of the income band who could afford standard NHA financing. In the latter half of the decade, however, the large increases in land costs, interest rates and property taxes made it increasingly difficult for households in the lower third of the income band to purchase a single family house. These trends are reflected in the fact that in 1961 only 9.5 per cent of NHA borrowers came from the lower third of the income range; by 1965 the percentage had increased to 18 per cent; and by 1969 it had dropped back to 6.4 per cent.

By the second half of the decade the provinces became concerned that not only the lower third but even the middle third were having difficulty in purchasing homes. A number of provinces embarked on their own versions of assisted homeownership programs during this period. British Columbia, in 1967, enacted legislation permitting capital grants and second mortgages to first purchasers of new housing. Ontario embarked upon its HOME program to reduce land costs in 1967. Cooperative activity in Nova Scotia increased.

CMHC staff began to consider assisted homeownership as an alternative to public housing. In response to a suggested homeownership program, an executive director of the Corporation pointed out that:[6]

> One of the objections to the principle of providing subsidies for homeownership has been reluctance to asking some people in the community to pay for the acquisition of assets by other people.

He went on to point out that the proposal presented certain technical difficulties. Nothing appears to have come of the suggestion.

In 1970, tight money had resulted in a drop in housing starts. The federal government had committed itself to 200,000 starts per year, and it appeared that there would only be about 160,000. Some way had to be found to increase starts and thereby stimulate employment in the midst of a recession. The Minister, influenced by American homeownership programs, put forward a $200 Million Program that was designed to make funds available for the construction of housing for rent or sale at below market interest rates. It

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[6] *CMHC Memorandum*, July 5, 1968.

would simultaneously provide housing starts and demonstrate that the government was concerned about the provision of housing for the low and moderate income groups. Twenty years after the first provincial requests, the federal government finally espoused assisted homeownership.

The Federal Homeownership Programs

THE 1970 PROGRAM

In February 1970, faced with the need to produce housing starts and with dissatisfaction in the country over increasing house prices, the federal government embarked upon the $200 Million Program. The aim was to reach families in the $4,000 to $6,000 range through either the homeownership or rental mechanisms. Initially, there were bold hopes for innovative design and planning techniques. But the pressure for starts and the requirement that the builder be in a position to commence construction within 45 days of submission of the application meant that the major achievement of the program was simply the reduction of housing costs for some low income households.

An unsigned interim evaluation (dated mid-1971), by CMHC, points out:

> The program was 'special' in name and in the administrative techniques that were adopted. Mainly, however, it consisted of existing lending programs and it varied little in substance from these components.
>
> The term 'innovation' was widely misunderstood, and there was a tendency to expect massive change in housing characteristics. In the short time available, it was unreasonable to expect more than an expedient variance to existing housing patterns. Even without this time constraint, it is probably unrealistic to expect builders to embark on highly innovative and speculative projects without support guarantees . . . Most of the innovations that were resorted to under the program were unadventurous. Smaller centres introduced types of structures previously untried there, but which are cheaper to build (such as row houses or quadrexes). On the other hand, in large metropolitan areas the condominium formula for low income groups was used for the first time, and large projects combining residential and commercial spaces were sponsored with arrangements to subsidize rents out of commercial revenue. Many projects relied for their effectiveness on a variety of short term conditions, such as land bargains, response of special groups and voluntary professional services. These elements were accepted as innovation but they probably did not produce a lasting basis for support.

The income levels served by the program were higher than anticipated. Of the people helped by the homeownership projects, only 11 per cent had incomes under $5,000, and 48 per cent had incomes above $6,000. Builders would make applications stipulating that the desired low income range would be served; they would then return later to CMHC requesting increased income limits on the basis either of increased costs or of their inability to find a sufficient number of applicants within the required income range.

Without provincial assistance the program could not serve the bottom income group. The Corporation was unable, because of the provisions of the

NHA, to subsidize loans below its own borrowing rate. It was unable to waive down payment requirements. As a result, provincial interest subsidies and capital grants were necessary to assist some low income purchasers.

The program appears to have resulted in a considerable amount of "creaming". 22 per cent of the borrowers were under twenty-four years of age, compared with only 9 per cent for standard NHA loans. Only 8 per cent of the families had working wives rather than the standard 30 per cent, and 52 per cent of the families had no children, or only one child. The fact that families were younger, had fewer children and, even with one working partner, averaged a fair income, would indicate that the recipients were young men on their way up who, under normal circumstances, would probably have entered the housing market within a few years regardless of any special program.

The program emphasis was on new construction. 13,775 new units were funded under the program, while only 412 existing units were subsidized.

Despite CMHC staff's concern for the needs of rural areas and smaller centres, more than 90 percent of the funds went into metropolitan areas and major centres.

Because of the requirement of fast starts and because of metropolitan land holding patterns, most of the builders were large entrepreneurs. About 35 per cent of loan funds went to 8 builders (although 85 applications were approved), 4 loans were made to cooperatives, 3 to community groups, 3 to municipalities and 6 to Indian bands or native associations.

While well over 90 per cent of the funds went to traditional building operations, the Corporation (in its interim report on the program) lists as the three primary innovations of the program: 1) the involvement of new sponsors, 2) tenant participation and citizen involvement, and 3) rehabilitation.

Cost reductions were usually the result of reduced unit sizes and land areas. For example, the average floor area in rental units was only 720 square feet and in ownership units was 945 square feet. Little attention was paid to location or amenities. The problem of fringe locations and marginal sites, which also confronts public housing and limited dividend programs, was present here.

Architectural consultants reviewed ten of the 1970 projects, concentrating on planning and design and suitability for low income residents.[7] Their comments on some of those projects follow:

Case Study 1 The Maritimes — The project consists of 3 storey stacked row housing; access to the third floor units is from an open deck. Outside staircases are located in front of living room windows, and living rooms at the second level are over the bedroom areas of the lower unit levels; generally, standards of sound insulation and privacy are low. The units are minimal in space and there is a scarcity of windows — 3 in the 2 bedroom unit.

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[7] Melvin Charney, Serge Carreau, and Colin Davidson, "The Production and Availability of Low Income Housing" (Ottawa: CMHC, unpublished manuscript, 1971).

To achieve economy on construction, plastic door frames, prefabricated plastic bathrooms and plastic pipes were utilized. Ceiling clearances of 6′8″ were used, communal storage for bachelor and one bedroom units was omitted, non-combustible walls were not used.

Final approval was given only nine days before the program was terminated, although approval in principle had been given to this off-the-shelf proposal two weeks after the program was announced in February. Concern for the adequacy of the project can be seen in internal CMHC planning:[8]

> If the public does not react as expected and units are not sold, arrangements can be made for the units to be used on a subsidized basis.

Located on the outskirts of the city, the isolated site, restricted site plan, reduced unit size, poor unit design and cheaper materials clearly describe substandard housing conditions. The project was recommended despite the objections of both the CMHC Branch Appraiser and the Branch Architect.

Case Study 2 Quebec — The site for this project is singularly inappropriate for the needs and capabilities of low income groups. Since the site is located on residual land facing major traffic arteries, far from employment, shopping, and public transportation, car ownership is mandatory. Although there are plans to provide some community facilities on the site at a later date, no such facilities exist now. All those residents who do not have mobility are virtually trapped in the project.

When the project was first submitted to the CMHC Review Committee four of six proposed plans were rejected on the basis of room size, lack of recreational amenities and problems in car parking layout. Three of the four were ultimately accepted without change.

The CMHC files reveal a curious practice.

The offers of purchase which prospective owners were obliged to sign in order to secure a home required that they pay a \$250 deposit with the offer; \$215 additional deposit to be paid once the loan was approved by CMHC; \$110 for notarial fees, and approximately \$500 in four consecutive monthly payments, equivalent to CMHC mortgage payments, with post-dated cheques to begin on May 1, 1971 (although the mortgage did not take effect until four months later). The last "additional cost" was the object of a CMHC memo.

This memo stated:[9]

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8 *CMHC Memorandum*, December 21, 1970.

9 *CMHC Memorandum*, July 8, 1970. This memo stated: "If, after negotiation with the entrepreneur, the latter intends to proceed in a different manner, we would be within our rights to insist on an amended purchase offer. We must also bring to your attention a practice peculiar to this entrepreneur. For several years he has been receiving a large number of loans under Section 40 or Part I of the NHA. In order to delay the date of inception of repayments, he holds back the sale transactions and only submits them to us three or four months after the date of occupancy. In the interval, he receives from each purchaser the monthly payments heretofore mentioned." (That is, the purchaser believes he is making three or four payments on his mortgage. However, the mortgage is not yet in force and the builder pockets the money.)

> Si, après discussion avec le promoteur, ce dernier entend procéder différemment, nous serions en droit d'exiger que l'offre d'achat soit amendée. Nous devons également porter à votre attention une pratique particulière à ce constructeur. Ce dernier reçoit depuis quelques années un nombre appréciable de prêts, sous la section 40 ou la partie 1 de la L.N.H. Afin de retarder la date de mise sous paiement des prêts, le constructeur conserve les actes de vente et ne nous les remet que trois (3) ou quatre (4) mois après l'occupation. Dans l'interim, il reçoit de chaque acheteur les versements mensuels mentionnés.

CMHC seemed to have suspected something of this sort for some time and wrote to the builder:[10]

> Vous devez vous assurer que le prix de vente maximum indiqué est un prix réel incluant tous les coûts et les frais normalement compris dans votre région.

Case Study 3 Quebec — This project consists of row housing units in suburban Montreal. The builder refused to use other, more desirable land which he owned a block away.

The houses were described in the original proposal as integrated easily within the surrounding community and the claim was made that it "could not be identified as a low income housing project." However, the form of the units constitutes an identifiable group of lower standard houses; the type of construction used in the project is not found elsewhere in the area.

Little has been done to restore the site following construction. There has been no attempt at landscaping, and all but six trees have been removed. There is a quarry which is now a rubbish dump to one side of the project.

Interviews revealed that because of poor workmanship ten proprietors had spent between $200 and $2,000 in repairs and finishing. Much of the finishing was seen as necessary, e.g. six of ten had finished the walls and the other four planned to do so. Continued repair and refinishing costs were envisioned. Five of the ten mentioned the difficulties they had in getting action from the developer, and two of these had been frustrated with replies of the type "You have not bought a $25,000 house; at the price which you paid you have to expect some problems. When you buy a house like that, you have to fix it up a little."

Case Study 4 Ontario — This is a high-rise rental project. The apartments present many hazards and impracticalities. The second bedroom in the 2 bedroom apartments is too small for a useful placement of beds. The private spaces within the units are poorly located and badly designed. The position of radiators, window mullions, electrical outlets, and the level of floors, balustrades, and window sills are all potentially dangerous. Kitchen cupboards open at forehead height. Fuses and not circuit breakers are used. The built-in closets are very crude. The overall quality of workmanship is poor.

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[10] *CMHC Letter*, May 21, 1970. This letter stated: "You must make sure that the maximum sale price mentioned is a real price in that it includes all costs and services normally included in your area."

The Special Program offered this large developer an opportunity to finance a project which had experienced difficulties under normal lending arrangements. This project had been in existence in proposal form for three and a half years before it was submitted as part of the 1970 Special $200 Million Program. Attempts had been made to construct the project with private financing and directly under a section 15 loan; in both cases difficulties were encountered because of the large sum involved.

Case Study 5 Prairies — The project is located four miles north of the central business district in Edmonton, in a neighbourhood which is new, largely developed with single-family units. Schools, shopping and commercial facilities are not close by. Play areas are minimal.

Plans for the units and site plan had been designed in 1½ weeks. Subsequently, the site plan was modified (after approval in principle) at the request of CMHC but not the unit plans or elevations. The architect voiced doubts about the social viability of building such a large and identifiable project for an isolated group of low income families; he tried to blend the project into its conventional surroundings. The higher site density is the only unusual feature of the project.

Although the project was originally aimed at income levels of between $4,300 and $4,500, the proponent asked, in a letter addressed to CMHC, in December 1970, that income guidelines be raised. He stated that the reason for this request was that "Sales activity has slackened very considerably." The letter gives the following figures: out of 800 applicants interviewed, 90 were taken with down payments, and only 37 of these applications were approved to date by CMHC. And it goes on to explain:

> . . . that a great number of people in the income range between $3,393 and $5,660 are very heavily in debt and owe money to several consumer finance companies, and are finding it difficult to keep their heads above water on a day-to-day basis, and apart from being unable to raise the required down payment from savings are, in most cases, a poor credit rating, . . . we are recommending, therefore, that persons with incomes up to $7,000 per annum be deemed acceptable applicants . . .

The limit on income levels was later adjusted to permit incomes ranging from $5,492 to $6,500.

The project is an important example of the difficulty of reaching well down the income ladder under an assisted homeownership program and still finding purchasers with decent credit ratings.

Case Study 6 B.C. — This project was described by CMHC as having reduced construction specifications, and reduced livable floor area giving small rooms which are finished to a minimum acceptable standard with no extras . . . yet was also claimed as innovative in that the units are "stripped down" versions of normal condominium units. The units, 832 sq. ft., all have three bedrooms and an unfinished basement. The overall design is cramped and inefficient. The second and third bedrooms, seven feet across, are very narrow. Furniture arrangements are limited, and stair circulation is poorly

planned. Play areas on the site are provided in the residual areas between the buildings.

The site is half a mile from public transportation, and one and a half miles from a shopping centre. Though public transport may be extended to the site at a later date, car ownership is essential at this time. There is on-site parking.

Though the resulting physical environment of this project is adequate in many more ways than some other projects built under the 1970 Special Program, it is apparent that there was little concern for the physical adequacy throughout the preparatory process of the proposal. The pressures to just build, combined with the availability of land which the City was interested in developing and need for immediate land by the developer, had a great deal more to do with the location, design and approval of the proposal than any concern for good low income housing.

The program highlights the absence of any research or policy development in the areas of: causes of rising housing costs and methods of controlling them; housing needs of low income households; social or human aspects of low income housing problems; and alternative mechanisms to public housing as a means of delivering housing to the low income group.

The adoption of the program rekindled interest within CMHC in an assisted homeownership program as an alternative to public housing. A number of memoranda were written by Corporation personnel dealing with the question. The discussions turn on whether an assisted homeownership program is less costly to the public purse than public housing. It was suggested that, with this program, the administration costs inherent in a rental project disappear, and certain aspects of maintenance costs are passed on to the purchaser. In addition, a 27 per cent GDS ratio is made possible rather than a rent-geared-to-income of about 23 per cent to 25 per cent in the upper reaches of the income scale. As a result, it was expected that the annual subsidy cost to the Treasury might be reduced by as much as $100 a year over average public housing subsidies.

Nowhere in the discussions is there any weighing of the social benefits and costs of assisted homeownership. The assumption is simply made that, while assisted homeownership might require as much as an additional 10 per cent of the household's income over rent costs, that was their choice to make.

THE 1971 PROGRAM

In 1971, the government embarked upon a further $100 Million Program, this time tied exclusively to homeownership. Reliance was placed on the same mechanism as the year before, i.e. reduction of interest rates down to the federal lending rate depending on income. An attempt was made, however, to peg the program to smaller centres rather than large cities. The program was directed at the same income group (the $4,000-$6,000 range) as in the preceding year.

Response to the program was good in Quebec, Saskatchewan, New Brunswick and Nova Scotia. In Saskatchewan, success was ensured by

Table 2

1971 ASSISTED HOMEOWNERSHIP PROGRAM
PERCENTAGE DISTRIBUTION OF UNITS AND FUNDS
BY PROVINCE

	New		*Existing*		*Total*	
	Units	*Amount*	*Units*	*Amount*	*Units*	*Amount*
Newfoundland.........	1.62	1.54	—	—	1.62	1.54
Prince Edward Island...	0.34	0.28	—	—	0.34	0.28
Nova Scotia...........	4.14	3.75	—	—	4.14	3.75
New Brunswick........	4.91	4.24	—	—	4.19	4.24
Quebec...............	52.38	51.10	—	—	52.38	51.10
Ontario...............	4.94	5.68	—	—	4.94	5.68
Manitoba.............	3.97	4.12	—	—	3.97	4.12
Saskatchewan..........	12.61	12.90	—	—	12.61	12.90
Alberta...............	6.61	7.21	—	—	6.61	7.21
British Columbia.......	8.47	9.16	—	—	8.47	9.16
Northwest Territories...	—					
Yukon................	—					
Canada...............	100.00	100.00			100.00	100.00

economic recovery and cheap land in Regina and Saskatoon. In the two Maritime provinces tie-ins with existing provincial subsidy programs produced good results.

Lower costs also helped in Quebec. More important, the program was not limited to smaller centres, but was used in all cities, and was available to persons outside the designated income range. Unit costs had to be low enough so that with reduced interest rates low income persons could afford them, but funding was not restricted to low income persons. That decision was taken to ensure that the program would serve to prime the economic pump in the province.

Although the program was fairly successful in those provinces, by September of 1971, when capital commitments were reviewed, it was clearly failing to meet its overall goals. Although the peak of summer building had passed, less than 50% of the funds available had been committed. The builders with plentiful mortgage funds and increased sales were not interested in the program.

In October, the federal government finally decided that increased construction activity was necessary to combat unemployment. At the end of that month the program rules were changed. Maximum incomes to qualify for assistance were raised to $7,000. Loans were permitted in metropolitan centres outside Quebec. And funds previously committed only for low income housing were released for loans, at the NHA rate to households with incomes from $7,000 to $9,000. Once again, assistance to low income households was sacrificed on the altar of stabilization goals.

In view of the success of the 1970 and 1971 programs, ministerial interest, and the political attractiveness of assisted homeownership, it appears that legislation will be recommended providing for subsidization below the preferred lending rate.

Provincial Programs

Provincial programs have been aimed primarily at the upper and middle income groups. The following six mechanisms have been used: capital grants, interest subsidies, land cost subsidies, second mortgages and residual lending, shell housing and sweat equity, and sales tax provisions.

CAPITAL GRANTS

The capital grants programs fall into two categories: universal and selective. British Columbia provides a $1,000 grant to provincial residents for the first purchase of a new house. The grant is not tied to income. As of March 31st, 1971, $24 million in capital grants had been provided and $85 million had been budgeted. In the absence of more specific data, it is not possible to determine precisely what effect the program has had. In all likelihood, however, the grants have gone mostly to middle income purchasers, the only group in a position to buy a house in the first place. It is also extremely questionable whether the grants have had the effect of reducing the end price of the home to the purchaser. A common pattern for such programs is for the market to simply take the grant into account. Knowing that their customers qualify for a $1,000 grant, the builders simply raise the price of the house by $1,000.

The grant was combined with the $200 Million program, resulting in both reductions in capital required and interest payments.

In 1970, British Columbia expanded the program to provide for a $500 grant for the purchase of an existing unit. It appears that this provision will be allowed to lapse. This is unfortunate, since grants for existing units are more likely to serve the lower income group than grants for new units. Subsidizing existing units, however, does not have the desired effect of achieving new starts.

Saskatchewan followed the British Columbia model and provided for a $500 capital grant for the purchase of a new unit. The grant was adopted in response to a request from the Regina Home Builders Association for provincial action to make homeownership possible further down the income scale which would stimulate construction activity in that depressed province.

The Home Builders had proposed a monthly payment for three years, the total not to exceed $6,000. They maintained that the payment would lower the bottom limits of the income range to whom ownership was open by some $1,200. They viewed this as far more important than the provision of a capital grant. The province, however, concerned about the administrative costs of policing incomes and processing the monthly payments, opted for the capital grant. Because the grant was tied to the federal $200 Million program

to a considerable extent and since the program produced lower priced units, it is quite likely that the grants reached moderate income purchasers. About 600 were made last year.

The Province of Prince Edward Island has the only capital grant program that is tied to incomes. It administers funds set aside for housing under FRED. The grant is available to households with incomes between $4,000 and $6,000 who have been gainfully employed in the province for a year. The grants are on a sliding scale from $500 to $4,000. To the end of March 1971, approximately 136 grants had been made, for a total cost of $470,000.

INTEREST RATE SUBSIDIES

Interest rates subsidies are available in Quebec, Alberta, and Nova Scotia. Since 1948 Quebec legislation has provided for a 3 per cent interest rebate payable to moderate income families. At present, the rebate is available to families with an annual income, counting that of the head of the family, plus 60 per cent of the income of his or her spouse of up to $7,000 (plus $500 per child). The cost of construction of the unit must not exceed $14,000. The contribution of the province is a 3 per cent rebate on up to $7,000 mortgage debt. To the end of March 1971, the commitment level stood at $231 million and the rebates actually paid were approximately $110 million dollars. In the last year, 84 per cent of the rebates were paid to families with incomes from $5,000 to $8,000, with 50 per cent in the $5,000 to $7,000 range.

As in the case of the British Columbia capital grant, there is some doubt about the effectiveness of the rebate in making housing more readily available to moderate income families. Again, the net effect of the subsidy may simply have been to increase the effective demand for housing, and thereby bid up the end price of the unit.

The Province of Alberta adopted a 2 per cent interest subsidy in 1970, which applied to projects funded under the $200 Million program. The subsidy matched the reduction of the federal lending rate below the market rate; that is, if the federal rate was reduced by ½ per cent, the province provided a further ½ per cent subsidy, and so on down to 5⅞ per cent.

The subsidy was dropped at the end of 1970 and was not re-introduced as a companion to the 1971 federal program. The reasons for the change are not clear.

The Province of Nova Scotia has enacted legislation providing for provincial and municipal subsidies of up to 2 per cent below the federal preferred lending rate. These subsidies, in conjunction with the use of the shell housing technique,[11] should enable purchasers with incomes in the $4,000 range to acquire homes.

LAND SUBSIDIES

"Homeownership Made Easy" is Ontario's version. The HOME program involves the leasing of land to the purchaser of a house, giving him an option

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[11] See *infra,* for a discussion of shell housing.

to purchase the land at the end of five years. While the carrying costs of the land and building are not reduced, the down payment is, since the land price is not included in the total purchase price of the unit. No income limits are attached to the program but there are limits on unit cost ($15,000 for a three bedroom unit, $16,000 for a four bedroom unit, $17,000 for a five bedroom unit). Again, the program has served primarily the middle income group.

The use of the land assembly technique in other provinces has also resulted in lower-priced land, and therefore easier access to homeownership. The Province of Saskatchewan and its two metropolitan centres are the foremost examples of the success of this measure.

MORTGAGE LENDING

The Province of British Columbia will provide a $5,000 second mortgage for the purchase of a new unit and a $2,500 second mortgage for the purchase of an existing unit. These are used as alternatives to the capital grant provisions mentioned earlier and have not been as popular.

The Province of Ontario will lend directly to home purchasers who are unable to arrange NHA financing, at or slightly below the NHA direct lending rate. It has also made second mortgages available to condominium purchasers at slightly below the current NHA lending rate.

In 1971, the Province of New Brunswick introduced legislation permitting its housing corporation to provide interest-free second mortgages to applicants unable to obtain a maximum section 40 loan. $300,000 has been budgeted for the program and it is expected that this amount will cover approximately 75 loans. The loans were tied to shell housing under the 1971 program. There was an income limit for borrowers of $5,500. It was hoped that, with the use of shell housing, an income level of $3,800 could be reached.

The Province of Alberta has enacted legislation providing for loans for persons in the $6,500 to $10,000 income range in rural areas and small towns. No income limits are stipulated in the legislation and the only qualifications are maximum loans of $18,000, gross debt service (GDS) ratios of up to 30 per cent, and a refusal from CMHC. Loans are for single family units only.

Loans were made at slightly below market interest rates. There was increasing pressure to make the program available in urban areas as well. Of 360 loans ultimately made, 250 were made in cities of over 30,000 people, 65 per cent of all units funded were in Edmonton and Calgary. One-quarter of units funded were new and three-quarters were existing. Average family income was $10,261.

SHELL HOUSING AND SWEAT EQUITY

The Provinces of New Brunswick and Nova Scotia are both emphasizing shell housing, a technique whereby a house is only partly constructed. The exterior (or "shell") is completed but the interior is not. The shell house is then sold to low income people with a reduced loan amount and the substitution of "sweat equity" for the down payment. Sweat equity, as the name implies, means that the new owner must complete the inside of his house himself. The

labour required to complete the house is considered to be his equity, which would normally be contributed through a cash down payment.

Sweat equity has been utilized for a considerable period of time under the section 40 cooperative sale program in Nova Scotia. Both provinces are strongly promoting the expanded use of shell housing as an assisted homeownership technique.

REMOVAL OF BUILDING MATERIAL SALES TAX

The Province of New Brunswick has recently removed the sales tax on building materials in an attempt to reduce house prices. The decision to abolish the tax rather than provide a rebate to home purchasers appears to have had the result of merely increasing the profits of material suppliers; prices have not been reduced.

The Province of Alberta is the only one that does not have a sales tax. Its restraint in this area might be considered assistance to homeowners.

The Effect of Institutional Lending Patterns on Homeownership Cost

We do not feel that it is advisable for the federal government to embark upon a substantial assisted homeownership program. The trade-offs between assisting homeowners versus rental units and the optimum mix are considered below.

On the assumption that national policy will call for assistance in some situations, we examine in this section some of the institutional factors which render it more difficult for low income households to become homeowners.

A 1962 study estimates that only 48 per cent of residential mortgages registered in 1960 were on new housing.[12] In the same year, financial institutions placed 71 per cent of residential mortgages approved into new housing.[13] All CMHC loans in 1960 were on new housing. The study also estimated that roughly one half of all residential mortgages registered in 1960 were from non-institutional private lenders, and one tenth from CMHC. A very substantial portion of loans on existing housing was therefore from private non-institutional sources in 1960 — perhaps three quarters.

Over the last ten years the situation has not changed greatly. In 1970, institutions put 69 per cent of residential loans into new housing, and CMHC put 96 per cent of its money into same. It is likely, therefore, that private non-institutional sources still provide the bulk of financing for loans on existing housing.

The relative absence of institutional lenders from the existing housing market results in higher costs to low income households. Institutions are in a position to offer better terms than non-institutional lenders. Most of the poor

[12] J. V. Poapst, *The Residential Mortgage Market* (Ottawa: Royal Commission on Banking and Finance, 1962), p. 26.
[13] *Canadian Housing Statistics, 1970,* Table 27.

are in the market for existing rather than new housing. The suggestion that the poor are inhabitants of existing rather than new housing should surprise no one. Loans on existing housing reach lower income borrowers than loans for new housing. CMHC direct loans reach further down the income band than approved loans by institutions.

Table 3

NHA LOANS BY BORROWER'S INCOME

	Income		
	$0-6,999	*$7,000-8,999*	*$9,000+*
	%	%	%
New (Sections 6 & 58)	4.2	19.8	76.0
Existing (Section 6)	6.6	24.7	69.0
Existing (Section 58)	27.0	40.2	32.8
Existing (Sections 6 & 58)	12.0	29.0	58.0

SOURCE: *Canadian Housing Statistics, 1970* (Ottawa: CMHC, 1971), Tables 89, 90 and 94.

Financial institutions are in a position to offer better terms than other lenders because they are not as exposed to variations on their rate of return arising from risk. There are three reasons for this. First, the size of their mortgage portfolios is greater than that of most non-institutional lenders. This allows them to diversify their portfolios to a greater extent, and thereby to spread the risk. Second, the individual risks in the mortgage portfolio are less likely to be related to each other due to their wider geographical distribution. Consequently, there is less likelihood that everything will go wrong at once. Third, institutions are NHA approved lenders while others are not — thus they have access to NHA insurance.

Statistics indicate that institutions offer longer amortization periods and larger average loans than other corporate lenders or other non-institutional lenders,[14] and that financial institutions offer lending rates that are lower than those of other corporations. Among the "other lenders", credit unions and caisses populaires also loan at higher rates than financial institutions. Curiously, however, different agencies among "other lenders" lend at *lower* rates than financial institutions. There are two factors that provide an explanation: 1) mortgages taken back by vendors at lower than market interest rates to enable them to obtain a higher price, and 2) high-risk mortgages issued at a discount to mask the real rate of interest. Non-institutional funds are sought only when and where institutional funds are not available, because institutions offer better terms.

Related to the problems of financial flows to existing housing are the problems associated with financial flows to smaller population centres and rural areas, and flows into deteriorating areas of larger urban centres. Both of these two problems have in common value risk — risk associated with the individual borrower. In the case of rural borrowers, higher transaction costs will be an additional consideration.

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[14] *Canadian Housing Statistics*, Tables 58, 59.

Some indication of the reluctance of institutional lenders to loan outside of urban areas can be drawn from data on lending by province, and by metro as against non-metro areas. Institutional funds financed only 34 per cent of dwelling starts in the Atlantic region in 1970, as against 46 per cent in Canada as a whole. In P.E.I. and Newfoundland only 24 per cent and 21 per cent of all starts were institutionally financed.[15] Given the greater concentration of rural population in these areas, the pattern seems consistent with a hypothesis that rural areas are not so adequately served by institutions.

In 1970 the four major types of mortgage lending institutions (banks, life insurance companies, trusts and mortgage loan companies) placed 74 per cent of their new NHA housing loans in metro areas that had only 66 per cent of all new buildings.

Banks did place 32 per cent of their funds outside metro areas — but it is clear that their presence in the non-metro market is not enough to make up for the absence of trust and life company funds.

The absence of institutional lenders from areas of urban decay was noted in the Report of the Royal Commission on Banking and Finance:[16]

Table 4

PERCENTAGE OF DWELLING UNITS
BY PRINCIPAL SOURCE OF FINANCING,
REGIONAL BREAKDOWN — 1969 & 1970

1969	*Institutional Funds*		*Federal Funds*		*Other Funds*	*Total*
Area	*Approved Lender*	*Conventional*	*S. 40 N.H.A.*	*Other Federal Funds*		
Atlantic	10	38	5	9	38	100
Quebec	23	44	7	10	16	100
Ontario	35	37	3	9	15	100
Prairies	29	40	4	10	17	100
B.C.	13	49	6	5	28	100
Canada	26	41	5	9	19	100

1970	*Institutional Funds*		*Federal Funds*		*Other Funds*	*Total*
Area	*Approved Lender*	*Conventional*	*S. 40 N.H.A.*	*Other Federal Funds*		
Atlantic	7	27	21	7	37	100
Quebec	18	18	27	16	20	100
Ontario	32	19	28	1	20	100
Prairies	36	26	22	12	5	100
B.C.	15	26	14	8	37	100
Canada	25	21	24	8	32	100

[15] *Canadian Housing Statistics, 1970*, Table 14.
[16] *Royal Commission on Banking and Finance, Report* (Ottawa: Queen's Printer, 1969), p. 27.

Table 5

PERCENTAGE OF DWELLING STARTS
BY PRINCIPAL SOURCE OF FINANCING,
ATLANTIC REGION — 1969 & 1970

	Institutional Funds		*Federal Funds*		*Other Funds*	*Total*
Province	*Approved Lenders*	*Conventional*	*S. 40 N.H.A.*	*Other Federal Funds*		
Nfld. (1969)	7	14	11	7	60	100
P.E.I.	6	18	6	—	69	100
N.S.	11	47	2	10	31	100
N.B.	11	41	6	12	30	100
Nfld. (1970)	4	9	12	15	59	100
P.E.I.	2	17	17	11	52	100
N.S.	9	37	17	11	52	100
N.B.	8	25	21	10	36	100

SOURCE: *Canadian Housing Statistics, 1969, 1970.*

> In his evidence before us Mr. Mansur generalized the situation in the cities by referring to three types of housing: that in the post-war subdivisions, a second band built in the inter-war years in residential areas and varying considerably in its current quality and state of repair, and a third category of older housing situated in the centre of the cities. The established mortgage institutions will lend freely in the first area at their prime rate, are prepared to lend on much of the second type of housing, although at rates that may be as much as 1% higher, but are not interested in acquiring mortgages on the older run-down urban properties in areas which may be due to undergo considerable change.
>
> . . . these preferences on the part of the principal institutions do mean that the problem of financing housing sales is more acute in some parts of our cities than in others.

Lending to people with low incomes is limited both by the low level and by the greater instability that is characteristic of their incomes. These considerations do not prevent financial institutions from borrowing from those with low incomes. The net result of these transactions is that lower income groups have a smaller debt-to-asset ratio than those of higher incomes. This can be seen in Table 6.

The major financial institutions do not provide adequate financing for four types of housing: existing housing; housing in rural areas and small towns; housing in the urban core; and housing of the poor. The financing for these types of housing comes from sources that are both more expensive and less attractive in their terms.

The absence of major institutional lenders from these housing markets can be explained quite simply in terms of their goals and attitudes. An obvious goal of the financial corporation is to make money for its shareholders. Almost as obvious an objective of financiers is to avert risk.

Table 6

BANK DEBT AS A PERCENTAGE OF BANK SAVING DEPOSITS — 1963

	Bank Debt $	*Saving Deposits* $	*Ratio* %
Under $1,000	26	422	6
$1,000–1,999	38	621	6
$2,000–2,999	71	501	14
$3,000–3,999	81	533	15
$4,000–4,999	148	733	20
$5,000–5,999	339	540	63
$6,000–6,999	232	696	33
$7,000–7,999	370	953	39
$10,000 & Over	743	2,213	34
Average	225	776	29

SOURCE: DBS Cat. 13-525, *Incomes, Assets and Indebtedness of Non-farm Families in Canada, 1963* (Ottawa: Queen's Printer, 1966), Tables 26, 49.

The pursuit of profit limits the financial corporation's interest in lending to those whose incomes are too low or unstable to give reason to expect that the borrower will be able to maintain payments at the market rate. In that profits are returns over costs, it should be realized that where lending costs are high, as in rural areas, for example, institutions will either charge a premium on lending or not be interested in servicing the area at all.

Risk aversion dictates that lenders avoid making loans whenever there is danger that the value of the collateral may drop or the borrower may run into financial difficulty. In rural areas and small towns, which are areas of net outmigration, value of the property may have to drop substantially in order to be sold. In the urban core, deterioration in the surrounding neighbourhood may cause a drop in housing values. Existing houses, especially of older vintage, involve greater risk of needing major repairs.

The Policy Choice

Federal policy on assisted homeownership moved from complete opposition in the early 1950's to a willingness to lend at virtually market rates to potential middle income homeowners from 1957 to 1968, to lending at the preferred lending rate to moderately low income homeowners in 1970-71, to the present proposals for treating assisted homeownership as an alternative to public housing to serve the entire low income group.

Proponents of the program claim a number of advantages for the low income householder. Perhaps foremost is the increased freedom and right to use the home as he desires (within the context of public zoning regulations, nuisance law, and so on). This would provide some relief from the sense of powerlessness felt by many of the poor when subject to the sometimes arbitrary control of a landlord, whether public or private. Second, there is the increased status and improved self-image of the homeowner, a man of property and substance, rather than a mere transient tenant. Because the units are

easily scattered throughout a neighbourhood or subdivision, the individual resident is less likely to be immediately identified as receiving public assistance. Third, there is the possibility of substantial control over the cost of the housing. Private market rentals are subject to increase — through the whim of the landlord or the forces of the market — but the homeowner's financial carrying costs are fixed (although property taxes and maintenance and administrative costs — currently totalling approximately 50 per cent of the total carrying cost on a unit — are subject to increase). Fourth, there is the benefit of forced saving. Another substantial source of the powerlessness of the poor is their precarious financial position, many of them finding themselves constantly in debt. With homeownership, the close of the mortgage term brings the benefit of a capital asset not available to a tenant who has made similar scale rent payments for the same period.

Substantial advantages to the government are also presumed to flow from the program. With public housing subsidies rising dramatically and no end to the increase in sight, homeownership is seen as a way to reduce or control subsidy levels by transferring costs to the home buyer. Many of the administrative problems of existing social housing programs are avoided; there is no ongoing relationship between the developer and the homeowner. Government is free once again to rely on the workings of the private market, interfering only with the financial arrangements. It is also in the position of being able to provide freedom of choice to its constituents and of allowing them to choose their form of tenure. At present all government can say is: there are the public housing and full recovery programs, take them or leave them. Finally, from the point of view of the federal government, it may ease relationships with some of the provinces which appear to strongly prefer homeownership programs. This may result in a substantial increase in the amount of housing provided to low income households in those provinces.

It is clear that the advantages of homeownership to the individual householder, when compared to tenancy in public, full recovery or private market rental housing, are real. If the existing system of providing rental housing were fixed and unchanging, there would be no reason to deny assistance to low income households. Improvements in low rental housing are possible; the rental system is far from fixed.

STATUS AND CONTROL

Homeownership programs rest on the assumption that society views *all* those who rent as failures (not just public housing tenants). Increased housing costs, changing tastes, and increased mobility have moved the proportions of households which own and rent closer to balance; in metropolitan centres in the last several years, three times as many apartment units have been produced as single family dwellings. The stigma attached to those who rent rather than own has weakened considerably. Federal policy should aim at further narrowing the gap between the status and rights of owners and tenants, and not simply attempt to give a privileged few households an opportunity to escape from the difficulties of tenancy to the privileges of ownership.

Federal policy has traditionally treated landlord-tenant relations as a private matter within the competence of provincial legislatures who have acted slowly and hesitantly to redress the imbalance of power between landlords and tenants. There is, however, considerable doubt that simple legislative amendment is sufficient to effect any real change in the positions of the parties. What is also clearly required is a fundamental change in the landlord's view of his role and in the tenant's bargaining power. That change can be accomplished by introducing new kinds of landlords — both public and quasi-public — which view the provision of housing as a public service. The notion that public housing is charity and that those living in public housing are second rate can be overcome by broadening the segment of the population served by the program. Improved *private* management practices should be encouraged through educational techniques and by restricting all lending to private developer landlords to those with a demonstrated capability for sensitive housing management; and by funding local tenants' groups and broadly based tenants' groups, to allow organizations of tenants to speak with a stronger voice in their dealings with landlords, legislators, and government officials.

PRICE CONTROL

Similarly, the problem of price control is not solved simply by turning a small minority of rental units into ownership ones. Far more important is broad control of the price of all low and moderate income rental housing units. We argue below that that objective is much better achieved by a substantial non-profit housing program, which allows for the control of housing prices over a much longer period of time than assisted homeownership.

SAVINGS AND ASSET ACQUISITION

There is no debating the importance of homeownership as a technique by which low income households can acquire their one major asset and build a substantial nest-egg in so doing. The attendant social cost is high. If the capital acquired through repayment of the mortgage did not go to the low income purchaser, then under other mechanisms it would go to the state or non-profit corporation. At the end of the term of the mortgage, social capital would have been paid for and the only costs resulting from its use would be the operating costs. This is admittedly a long term benefit, in that under present lending practices the loan term is 50 years. However, with marginally increased subsidies, the loan could be repaid over a 30 year term, at the end of which housing could be provided much more cheaply.

The view of housing as a market commodity and reliance on mortgage payments as a method of forced saving contribute further to housing price inflation. Each owner hopes on ultimate sale to achieve a capital gain above and beyond the amount of payments on capital account which he has made.

The capital gains tax suggested by the Carter Commission and by the Government White Paper on Taxation might have had the effect of limiting these expectations, but the proposal was withdrawn under substantial pressure

from middle-class homeowners. The adoption of such a tax seems unlikely in the near future and the expectation of future capital gains appears firmly fixed in the public mind. Assisting more persons to become homeowners merely adds fuel to the fire.

REDUCED PUBLIC SUBSIDIES

One might wish to balance against those social costs (if one could weigh them accurately) the savings to the Treasury in the form of decreased public subsidies which are supposed to result from an assisted homeownership program.

The argument usually runs that under an assisted homeownership program, administration and maintenance expenses which are presently borne by public agencies could be transferred to the home purchaser. This assumption appears to compare assistance for multiple-rental housing with that for single family detached housing. There may be some marginal savings under assisted homeownership if single family units are used and maintenance responsibility is transferred. Construction costs will, however, limit their use to rural areas and small towns. If used in metropolitan areas, capital costs and carrying charges will be much higher than for existing rental programs employing multiple structures. If multiples are used, it appears unlikely that there would be any savings in terms of either administrative or maintenance expenses.

The real gist of the argument is that under the present public housing guidelines, the maximum rent-to-income ratio for *serviced* units is 25 per cent. At the same time, under the policy governing homeownership, the maximum gross-debt-service-to-income ratio for *unserviced* units is 27 per cent. Annual subsidies, then, would be decreased by requiring the purchaser to pay a higher proportion of income for unserviced shelter than he presently does for serviced shelter, and by making him bear the cost of administration, maintenance and increased taxes.

Both the Canadian and American experiences have been that builders constructing units under assisted homeownership programs build to minimal quality standards, particularly when compared to public housing. Maintenance expenses, therefore, are likely to increase rapidly over time with abnormally high costs passed on to the purchaser. Homeowner costs are further increased when fringe metropolitan sites are utilized since transportation costs also rise.

In view of the need to reduce the ratio of income which a low income householder spends on shelter, decreasing public expenditures at the expense of the purchaser is not the preferred solution to low income housing problems.

It is sometimes contended that under the public housing program one is locked into a 50-year subsidy on a unit, but that with an assisted homeownership program for moderate income households, incomes would rise over time. After ten or fifteen years, the government would no longer have to subsidize the unit. This argument appears to confuse a unit subsidy under public housing with the subsidy available to an individual under an assisted homeownership program. If the same person were to remain in public housing over the same ten to fifteen year period, his income would again rise to a point

where he paid a full recovery rent for that unit and no subsidy was involved. The argument assumes that in the assisted homeownership case, the purchaser remains in a unit throughout the time period, but that in the public housing case (as is the practice) when the purchaser's income rises, he leaves the unit and it becomes available for another lower income user. In the event that such a situation does occur, the unit is available for another person requiring subsidized shelter. With the termination of the assisted homeownership subsidy, new subsidies are required for other low income households requiring assistance.

ADMINISTRATIVE ADVANTAGES

The administrative advantages of relying on the private market (to plan and develop projects, choose the purchaser, and, in the case of condominium, to establish and perhaps provide the management services) are obtained at the expense of the low income consumer. Homeownership subsidies permit the household to deal directly with the builder, without government intervention. The negotiations and delays inherent in public housing, the problems of government agreement on standards, location and so on can be bypassed. The recipient of the subsidy is in the same position as any other person wanting to buy.

The difficulty with this position is that households eligible for assistance are frequently not in the same position as "any other person wanting to buy." The American and Canadian experiences have been that many of them are first-time purchasers, without experience in homeownership: many have difficulties in debt management. In a market situation, the low income purchaser competes at the bottom end of that market, assuring him of an inferior and at best barely adequate product. As in public housing and limited dividend housing, sites are marginal, amenities minimal, units small and inadequately finished.

Our assisted homeownership programs have not plumbed the depths of the American experience. A special investigation on abuses in federal low and moderate income housing programs conducted by the Committee on Banking and Currency of the House of Representatives found that there were a considerable number of "horror cases". Shortly after purchase disappointed owners found themselves with "faulty plumbing, leaky basements, leaky roofs, cracked plaster, faulty or inadequate wiring, rotten wood in floors, staircases, ceilings, porches, lack of insulation and faulty heating units." In Everett, Washington, homes were sold with "floors that could best be described as trampolines." In Spokane, the material used for counter-tops "was described best as glazed wallpaper."

While none of the Canadian programs seem to involve the excesses of the American ones, our brief review of 1970 projects revealed units requiring substantial repairs, unusual extra costs to purchasers, sub-standard design and location, absolutely minimal sizes, and generally speaking, projects which would not have been approved by CMHC if a policy to provide cheap housing for poor people had not been adopted.

A CMHC internal review[17] of the 1970 projects noted that the percentage of mortgages in arrears was double that found in the normal lending program. It predicted that, where foreclosures became necessary, the Corporation would have to make substantial expenditures on repairs, *because of the minimal initial construction of the units and the inability of low income households to spend money on maintenance or repairs.* (That observation was made at the same time as an expanded program was being advocated.)

Similarly, where occupant selection is left in the hands of the developer, he will attempt to give his subdivision the best "tone" possible and to choose purchasers who come as close as possible to fitting the middle class mold and will be acceptable to neighbours in other parts of his subdivision. This can be seen from the choice of small, young families under the 1970 program and from the complaints of a developer in the Prairies that it was impossible to find very low income households with suitable credit ratings. It can be seen in the refusal of developers to participate in the 1971 program until income ceilings were raised. As the early statements of Corporation officials regarding the limited dividend program point out, providing housing services to low income families with children is not compatible with the profit motive. Changing the form of tenure does not make it more so.

Government abdication of any management goal in social housing will also create problems for low income purchasers. If the existing pattern of funding continues and if 90 per cent of new units are erected in metropolitan centres and major urban centres (i.e. centres with populations of 25,000 persons or more), then as was noted above, most of the homeownership units will have to be condominia.

This is a novel form of tenure in Canada and the public is not yet accustomed to it. A considerable number of units were produced in the last several years by builders who found it uneconomic to produce rental units at high interest rates and found condominia the only way to tap a substantial market at those rates. They were not, however, prepared for the change in management style required. The tendency is to treat condominium purchasers as tenants who pay mortgages on individual units and are entitled to rent control but not to a substantial say in the manner in which the building is run. Many have (in compliance with both federal and Ontario policy) retained management control themselves either until a minimum number of units is sold or for an initial period of some two to five years.

As the builder is not responsible for the maintenance costs, there have been suggestions that cheaper quality materials have been used in construction. A national survey of condominium owners[18] revealed that the majority strongly disliked the soundproofing, parking and recreational facilities and the quality of construction.

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[17] *CMHC Memorandum*, February 17, 1972.

[18] *National Survey of Condominium Owners*, Condominium Research Associates (Toronto: 1970), pp. 23-27.

Some groups complain of difficulty getting the builder/developer in the initial control period to make necessary repairs. Others have complained of excessive maintenance and management fees.

Very few builders have developed adequate models of condominium design for family housing. Interviews with OHC personnel reveal that of some 13,000 units funded by the province, some 10,500 were smaller units in high rise buildings. Developers simply converted planned rental units to condominia. It is unlikely that many are in a position to build adequate low rise family developments.

Perhaps the most serious problem at the moment is the oversupply of condominia in the major markets in Toronto and Vancouver. This had made it impossible for a number of middle income families to resell their units as they must compete with the project builder who frequently has new units left to sell. In the case of low income families this is likely to have the effect of substantially restricting mobility unless the government is prepared to agree to re-purchase the units.

In a submission to the Metropolitan Toronto Planning Board, a local councillor recommended that the government cease funding condominia until adequate legislative and administrative controls had been developed, dealing with the problems of management and quality of construction and with the planning and design of projects.[19]

If the federal government provides incentives for condominium construction, it will fly in the face of the concerns of local officials more familiar with the actual workings of that tenurial form to date.

RECOMMENDATIONS

We, therefore, recommend strongly against reliance upon a program of assisted homeownership as a substitute for rental housing programs intended to serve low income households, particularly in metropolitan centres and quickly growing major urban centres.

However, an assisted homeownership program would still have some role to play. The report of CMHC's Advisory Group in 1965 pointed out that in low income rural areas and some small communities rental housing may be inappropriate. It went on to recommend long term loans at the preferred lending rate in such areas. We would agree that it is in those areas that the best case can be made for relying on homeownership. In the period from 1966 to 1970, some 20 per cent of all unit starts in the country were in small towns of populations under 10,000 and in rural areas, and another 5 per cent were in towns of 10-25,000 in size. In the smallest centres, single family units comprise more than 80 per cent of all units approved as contrasted with 30 per cent in metropolitan centres. In the towns in the 10-25,000 category, single family units constituted 55 per cent of all starts.

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[19] Brief of Melvin Lastman, North York Controller, to Metropolitan Toronto Planning Board, November 17, 1971.

Rental housing is therefore more likely to be visible and if subsidized, more likely to be stigmatized in the smaller centre. In the absence of the demand pressures in highly urbanizing areas, inflation is not likely to be a serious problem in the smaller centres. Yet, these are the areas where institutional lenders are least willing to advance funds and where purchasers are therefore compelled to seek more expensive credit from non-institutional lenders.

An argument might be made, then, for a program of assisting low income households to purchase existing single family units in those cities where there are adequate supplies of existing units priced more cheaply than new ones. This principle is at the root of the 1966 NHA amendments permitting direct lending for existing housing. As is the case in rural areas and small towns, institutional lenders are usually unwilling to lend on existing units in centre cities. Savings to low income households can be obtained by lending to them at the preferred lending rate (rather than at almost market rates as at present) and for longer terms than they are presently able to obtain from non-institutional lenders. The difference between an effective rate of 12 per cent and one of 7 per cent may amount to as much as $40 or $50 per month in carrying costs. Assistance of this kind should not be viewed as an alternative to rental housing programs, but as a method of alleviating the financial problems of households who would purchase existing housing in any event. The issue then is, having met production goals for low rental housing, how much assistance of this kind can be given within budgetary constraints.

Even if budgetary limits prevent lending for existing housing, there are a number of steps which the federal government can take to improve the borrowing position of potential low income homeowners. First, it can press NHA lenders to increase their lending for existing units. Only trust and loan companies put in the area of 40 per cent of all funding into existing units; bank and life insurance companies put only 20 per cent into used housing. If moral persuasion is not successful, then it may be necessary to turn to regulation.

Second, to make lending for existing units and in smaller centres more attractive to institutional lenders, we suggest that the present NHA provisions for mortgage insurance be replaced with value insurance, a standing offer by the federal government to purchase NHA housing at the value of the unpaid mortgage debt outstanding. It appears that the present coverage against foreclosure is not an adequate inducement to lenders in those cases where they still perceive a substantial risk. Substituting insurance of the value of the property for insurance of the purchaser's promise to pay, would eliminate the long wait on the lender's part (not uncommonly 18 months) that exists under current foreclosure procedures, and the costs involved in foreclosure litigation. It would also increase the mobility of labour in that the homeowner would not be locked into a home and would mean that borrower's credit ratings were not destroyed as under foreclosure. In that several of the major determinants of housing value are quite beyond the power of the individual to influence, the change in techniques is justified. Declines in housing prices in areas of declining

incomes and/or population are clearly due to the general social forces involved. The causes of urban neighbourhood decay are also largely beyond any individual owner's control. Even where decline in value is due to latent defect, a case can be made for provision of protection.

Third, as an alternative to, or in conjunction with the value insurance provisions, we recommend that the insurance provisions of the NHA be extended to cover second mortgages. That technique has proved quite successful in West Germany and would seem to be applicable to Canada as well.

Chapter 8

Rehabilitation

The Federal Perspective on Rehabilitation

Since 1944, The National Housing Act has been headed: "An Act to Promote the Construction of New Houses, *The Repair and Modernization of Existing Houses*, and the Improvement of Housing and Living Conditions . . ."[1] The equal rating given to the repair of existing houses has been eclipsed by the emphasis on new construction.

The federal government in general and CMHC in particular have exhibited little concern for the condition of existing housing stock. Far more interest has been shown in increments to the stock, in the number of units started in any given year, and in the effect of that production on employment and the overall economy, than in steps to conserve and upgrade the housing which presently exists.

This reflects a "growth positive" approach, a confidence that continued growth is the solution to the nation's housing problems. The answer to problems of deteriorated housing stock has largely been to tear it down and build anew. As early as 1950, the suggestion was made that public housing should be tied to a concept of proportional elimination, i.e. for every slum unit demolished a certain number of public housing units could be built.

In 1956, the Minister responsible for housing wrote the President of CMHC indicating that the Government would prefer to approve rental housing projects recommended by provinces only if the projects were directly associated with redevelopment (demolition of existing units to be replaced with new construction). The President replied, reminding the Minister that:[2]

> In social terms the need for decent, safe and sanitary accommodation at modest rentals has no necessary relationship with demolition.

While the Corporation thus clearly understood that the provision of decent housing was not necessarily tied to slum clearance, many of the projects built from 1950 to 1964 *were* associated with clearance activities. The urban renewal provisions of the National Housing Act during that period assumed that urban renewal simply meant clearance. It was not until 1964 that the Act was amended to provide for housing rehabilitation.

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[1] Emphasis added.
[2] *Memorandum*, President to Minister, June 1, 1956.

Prior to 1964, the Act authorized the Minister to enter into an agreement with a municipality to provide a grant to help pay the cost of acquiring and clearing an area of land. The agreement had to state that the municipality would acquire and clear the area and then sell it either to a limited dividend housing company or to the federal-provincial partnership for the construction of a public housing project.[3]

The 1964 amendment permitted the Corporation to pay one half of the cost of acquiring, and clearing or improving, lands and buildings in the urban renewal area.

This provision, however, only permitted assistance for the improvement of buildings in an urban renewal area, and the assistance could only be paid where the building was acquired and improved by the province or municipality. This effectively prohibited the Corporation from making grants or loans to private individuals — even in urban renewal areas — for the improvement of their homes.

The section also permitted the Corporation to insure loans made to owners of housing projects in urban renewal areas if:[4]

(a) the housing project met the requirements — or when repaired or improved would meet the requirements — of an urban renewal scheme for an area acceptable to the Corporation; and

(b) the housing project met the Corporation's housing standards.

The purpose of this sub-section was not clear. It was uncertain whether it applied only to purchase, or purchase and repair, or whether repairs alone were permitted. Activity under the section was minimal and it was repealed in 1967.

From the time the section was passed in 1950, very few provinces were interested in assisting the improvement of existing dwellings. Most were concerned with clearance and redevelopment. Only Quebec appears to have shown an interest in substantial residential rehabilitation.[5]

Apart from the urban renewal provisions, the Corporation could not make loans for the improvement or alteration of housing. Section 28 of the Act provides for the guaranteeing of home improvement loans made by a bank or an approved installment credit agency. Since that section was not in Part I of the Act, however, the Corporation could not make a direct loan under section 58, where a bank loan was not available.[6]

Had the federal government been interested in conserving and upgrading the existing stock, it would have been a simple matter to have section 28 transferred to Part I of the Act. That has not been done. Instead, section 6 (the approved loans section in Part I) was amended in 1969 to provide that

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[3] *The National Housing Act, 1954*, Section 23B(1).

[4] *Ibid.*, Section 23D(1) (a) and (b).

[5] See: *Urban Renewal Review*, Task Force on Urban Assistance, CMHC.

[6] Section 58, NHA 1954, provides that where, in the opinion of the Corporation, a loan is not being made available to a person pursuant to Part I, the Corporation may make such a loan.

insured loans could be made to "assist in the purchase *or* improvement of an existing house."

The change appears to have gone unnoticed. Banks continue to lend under section 28. No other approved lenders appear to be making any insured home improvement loans. The CMHC desk book and information pamphlets have not even mentioned the change, let alone emphasized it. No direct loans for home improvements only have been made under section 58.

The lack of federal action is accentuated by a drastic reduction in activity under section 28. From 1955 to 1959 approximately 31,000 loans per year were made, from 1960 to 1964 approximately 24,000 loans per year were made, and from 1965 to 1970 approximately 13,000 loans per year were made. In the last three years the approximate number of loans has declined from 10,000 to 9,000 to 7,000. There has been no concern regarding the decline and no attempt has been made to investigate its causes.

Even more important has been the inability of the federal housing agency to make grants for housing improvements. In 1965, the Advisory Group of CMHC recommended that grants be made available in rural areas, designated growth centres and on the fringes of metropolitan centres. As with the majority of the recommendations in that report, the government refused to act for reasons of cost.

Rehabilitation and the Other Low Income Housing Programs

There has traditionally been a similar lack of concern with existing housing in the implementation of major CMHC programs. Although as early as 1960 it was realized that existing housing could be used to assist low and moderate income households to attain homeownership, it was not until 1966 that the Act was amended to permit direct loans on existing housing. Except for 1969 (when approximately one third of the loans were for existing units), lending under section 58 remained heavily weighted in favour of new construction. In 1967, loans for existing units accounted for less than 10 per cent and in 1968 and 1970 for less than 20 per cent of lending under that section.[7]

Section 40 loans for existing housing may include the cost of improving or rehabilitating the unit being acquired. How much of the loans for existing housing went into rehabilitation is not clear since the available data do not segregate acquisition and repair costs.

Under the public housing program, as well, very little use has been made of existing housing. In 1965 and 1966, Ontario relied heavily on the acquisition of existing units in order to achieve a quick start in the provision of public housing after the establishment of the Ontario Housing Corporation. Since then, however, a similar interest has not been demonstrated by any of the provinces despite the fact that it is clear that the cost of existing housing (and, therefore, subsidy levels) would be lower than the cost of constructing new houses.

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[7] See Table 1, Chapter 7.

The reason for not using existing units appears to be the same emphasis on starts and their effect on employment and growth. It was only at the specific insistence of the Minister that the technique of leasing existing housing was introduced. The Corporation's general instructions point out:[8]

> Until the present, it has not been the policy to consider contributions to operating losses for accommodations secured by a lease . . . this technique does not add to the housing stock. Nevertheless, where there are a reasonable number of vacancies on the market it can provide some immediate relief as well as an opportunity for low income families to achieve a greater feeling of greater individuality and anonymity.

Growing Pressure to Use Rehabilitation

In the past several years, the Corporation has become increasingly concerned with rehabilitation. This concern is a response to pressures that have resulted from both the programs and initiatives of other departments, and complaints from citizen groups that have become increasingly disaffected with the continued emphasis on redevelopment, whether public or private.

The first government initiatives to which CMHC responded were the ARDA and FRED programs, which aimed at comprehensive rural development planning. These programs antedated the present DREE approach of abandoning the rural areas and preparing growth centres to receive rural migrants.

At the 1968 federal-provincial meeting on housing and urban development, CMHC announced that it would seek legislative authority to permit it to make home improvement loans in designated FRED centres. These would be aimed at encouraging low income families to provide themselves with adequate insulation, space, heating and sanitary arrangements, etc., within the framework of minimum property standards. The loans would include a forgiveness feature of the lesser of 25 per cent of the loan amount or $1,000. Losses would be shared between CMHC and the province. Although the dwellings would have to be brought up to a minimum standard, this need not be done in one operation, and successive stages of repair would be acceptable. Consideration would be given to loans of this type to the owners of rental property (as well as homeowners), provided that the landlord was prepared to enter into a commitment controlling the rent of the premises for a minimum of three years.

None of the recommendations made at the conference resulted in legislation, and the suggestion of rural home improvement loans does not appear to have been pursued.

A home improvement grant program has recently been instituted in Prince Edward Island. The program arises out of a FRED agreement made with the province in 1969. Assistance is available by means of home improvement grants of up to $1,000 or 50 per cent of the cost of labour and materials,

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[8] General instruction 330. June 27, 1969. The change was intended to implement one of the recommendations of the Hellyer Task Force.

whichever is the lesser. Grants are available to owner-occupants of dwellings that require the installation of basic services such as heating, water supply, plumbing, electrical wiring, etc., or repairs required to bring the dwelling up to a basic minimum standard. There are no income limitations for eligibility, since the nature of the eligible items will generally confine the grant to low income families.

The grant and its effects are being watched closely in the other Maritime provinces. In the light of the recent report of the New Brunswick Task Force on Social Development,[9] similar programs will probably be sought by that province.

Pressure is also mounting as a result of payments made under the Canada Assistance Plan. Under the provisions of that Plan, the federal government may enter into an agreement with any province to share 50 per cent of the cost of providing a person in need with shelter, which is defined under CAP regulations[10] as any item necessary for the safety, well being, or rehabilitation of persons in need, including essential household equipment and furnishings and essential repairs, alterations and additions to property.

Under those provisions, total disbursements to date of more than $1,667,000 have been made.[11] The average housing disbursement is $870 and the average furniture payment is $670. Over half of these funds have gone to Newfoundland and New Brunswick, about $690,000 and $250,000 respectively. Considering the location of the low income population in these two provinces, it would appear that the aid is going primarily to rural and small town areas.

The existence of the CAP program has caused some embarrassment to the federal Minister responsible for housing: letters from the Maritimes have come to him requesting assistance with housing repairs and renovations, and he has been compelled to refer them to the Department of National Health and Welfare.

National Health and Welfare does not appear to have any clear policy or control over this aspect of the Canada Assistance Plan.[12] It does not have a comprehensive statistical analysis of payments under the Plan. The federal government simply matches provincial payments for items covered. Utilization of this section of the Plan for housing rehabilitation depends upon the activity of provincial departments in this area.

The existence of the Plan is presenting National Health and Welfare with several problems: requests have come in for the complete cost of building a new residence: financial and administrative pressures under the Plan are increasing and becoming difficult for the Department to handle.

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[9] *Task Force on Social Development*, New Brunswick, September 1971, especially pages 46 to 48.

[10] SOR/67:62, SOR/68:275.

[11] Available data only records requests in excess of $500 each. No separate record has been kept for requests of less than that amount.

[12] The lack of control over the program is indicated by the fact that in order to determine the average payment made and the number of payments made in each province, it was necessary to examine every request on file to arrive at the required totals.

The consideration and approval of a request for assistance begins with the assessment of a particular case by a provincial social worker. The request is then forwarded to a provincial committee, and from there to the Director of CAP, NHW, Ottawa. A perfunctory review of the request to make sure that it meets the technical conditions of the Plan and regulations is undertaken by a clerk and approval is then granted. Housing requests are not required to meet NHA standards. There is no budgetary control at the NHW review; the process is considered to be merely a monitoring one. "Additions" to existing property are on occasion interpreted to include new buildings, provided the recipient is in need and owns the land concerned.

A major question at the time the Canada Assistance Plan was drafted was whether money would be spent for the upgrading of housing that still would not meet NHA standards. Joint discussions were held between NHW and CMHC and it was eventually decided that the dominant philosophy would be that of "keeping a roof over the heads of destitute people". It was further decided that NHA standards would not be applied; that there would be no involvement other than with people who actually owned the property in question and who were in need; and that no purchasing monies would be provided. In retrospect, it is admitted by officials of the Plan that it has proved to be only a stop gap measure. The very interim nature of the program may well be serving to reduce pressure on CMHC to design a comprehensive rehabilitation program.

If the NHA is amended and extended to cover the funding requirements in this area, then CAP could withdraw completely, as it would be required to do under section 5(2) of the Plan which prevents duplication of other programs. Preliminary investigation suggests that the program is becoming too unwieldly for the CAP office, and that relief would be welcome.

Another source of increasing pressure to develop a rehabilitation program is neighbourhood and ratepayer opposition to redevelopment, public or private. In the arena of urban renewal, it can be seen in the recent citizens' groups active in Strathcona in Vancouver, the People's Committee in Winnipeg's urban renewal area number 2, and the various associations in Toronto's Napier Place, Trefann Court, and Don Mount. Similar strong opposition to private redevelopment can be seen in the area south of St. Jamestown in Toronto, the Fairview slopes in Vancouver, and Milton Park in Montreal.

In response to these pressures, several rehabilitation projects were funded in the 1970 $200,000,000 program. These included: The Social Housing Association in Sydney, Charest Frères Ltée. in Montreal, the City of Toronto demonstration project, Kinew Housing Corporation in Winnipeg, and the Gastown-Cordova redevelopment project in Vancouver. The Montreal and Vancouver loans were made to entrepreneurs for $912,000 and $777,000 respectively, the Toronto loan to the City for $1,500,000, and the Winnipeg and Sydney loans to community groups for $360,000 and $400,000 respectively.

The major innovation in the City of Toronto loan was the abandonment of the previous position that properties had to be brought up to NHA

standards. Although there is no such requirement in the legislation, CMHC policy requires that loans on existing dwellings be made only where the units meet the NHA standards for existing housing. Those standards are not as stringent as the standards for new units, but they often require substantial and expensive alterations to units built at a different time and to different specifications than those which prevail today. Very few homeowners repairing their houses with their own funds would convert them as substantially as the standards require. The requirement appears to have contributed to the cost of rehabilitating units to be used for public housing in the few cases where that has been tried. In one of the early renewal projects in Ontario (Hamilton North End) it was necessary to drop the NHA standards requirement to achieve rehabilitation at a reasonable cost.

Insistence on meeting NHA standards stems largely from concern with the security of the loan. If the Corporation has to foreclose or sell to realise on the security, it will be in a much better position if it has a unit which is in first class condition. This same concern has led to the requirement that all repairs be done at one time rather than in successive stages.

Because of the success of the experimental projects and the increasing pressure for rehabilitation assistance, the Corporation adopted a project initiative and development policy in 1971. For the first time, Corporation personnel initiated contact with local groups and invited them to submit applications for loans for rehabilitation purposes. While a number of informal submissions were received, the initiative had very limited success. Of $100 million budgeted for the program, only some $11 million was lent.

Most of the groups contacted consisted of low and moderate income people who could not afford to borrow the required funds, even at the section 15 rate. The requests have thus focused on grants and lower interest rates. The CMHC response to the requests has been that the Corporation is unable to provide assistance, except for groups located in designated urban renewal areas. For the Strathcona project, section 24(1)(a) of the legislation has been reinterpreted (one might say, strained) to permit the sharing of the cost of grants to residents to fix up their houses.

Even in the limited number of cases where funding is possible, the requirement under the Act that the Corporation obtain a first mortgage on the property limits the amount of repairs possible with a given capital outlay. To effect $3,000 worth of repairs on a house carrying $15,000 in mortgages, the Corporation must lend $18,000. Of every $6 lent, only $1 would go for rehabilitation. The fact that CMHC is not allowed to lend on second mortgages demonstrates once again the federal concern for maintaining a minimum risk position.

The Key Issues

In the second chapter estimates were made that between 500,000 and 1,000,000 units need improvements if they are to provide decent, safe and sanitary accommodation, and that at least half a million units need structural work and heating and plumbing installations and repairs.

The chapter noted the high correlation between the age of dwelling, building defects and low income occupancy. Two-thirds of all units requiring major repairs, two-thirds without central heating and three-quarters lacking running water and flush toilets were occupied by low income households (defined as the bottom two-fifths of the income band).

There is a popular misconception that most occupants of poor housing are tenants, frequently in large multiple buildings. In fact, this is not the case. Even with the spate of high rise construction in metropolitan centres in the 1960's, more than 70 per cent of all Canadian households lived in single detached or single attached units in 1970. In 1966, some 63 per cent of all dwellings were still owner occupied. It is not surprising, then, to learn that the majority of all dwellings requiring rehabilitation are single family, owner-occupied units.

Tables 1 to 3 reveal this clearly. In 1961, more than four-fifths of all units requiring major repairs, and lacking central heating and running water were single detached or attached. Similarly, some three-fifths requiring major repairs and more than four-fifths lacking running water were owner-occupied.

These broad indicators undoubtedly understate the extent of tenants' housing problems, in that they give no measure of the number of units in which those building services exist but are inadequate or perform irregularly. They do, however, lead us to believe that at least half the physically inadequate buildings are owner-occupied.

The second factor to be taken into account is the extent of the rural rehabilitation problem. Although rural households are only about one-fifth of the Canadian total, they probably inhabit in excess of one-third of all substandard buildings. In 1961, they had almost half of all units needing major repairs or lacking central heating, almost nine-tenths of those lacking running water or flush toilets, about one-third of those needing minor repairs.

In rural areas, the problem is clearly one of single family dwellings, detached or attached, mostly owner-occupied. Even in urban areas, the small scale nature of the problem is important. Two-thirds of all urban units requiring major repairs and more than half lacking central heating were single family dwellings. More than two-fifths requiring major repairs or lacking central heating were owner-occupied. Half the rented urban units requiring major repairs or lacking central heating were single family.

Any rehabilitation program must, therefore, have built into it a strong emphasis on assistance to low income owner-occupants and small non-professional landlords.

We should acknowledge that the data relied on are national, and that in some areas, particularly the large Quebec cities, more attention must be paid to larger tenements owned by professional landlords. Those cases are the exception, however.

Another crucial factor to be borne in mind is the location of units requiring repairs. In rural areas they are scattered, whether on farms or in small villages. Even in urban centres, however, they are not necessarily

Table 1

DISTRIBUTION OF DWELLINGS IN NEED OF MAJOR REPAIR — 1961

	Urban (Over 1,000)				*Rural Farm and Non-Farm (Under 1,000)*			
	Total Number of Dwellings	*Dwellings in need of Major Repair* Number	Distribution	Incidence	*Total Number of Dwellings*	*Dwellings in need of Major Repair* Number	Distribution	Incidence
			%	%			%	%
— All Dwellings......	3,280,468	135,505	53.1	4.1	1,274,025	119,909	46.9	9.4
— Owned.........	1,946,559	56,338	22.1	2.9	1,059,028	93,461	36.6	8.8
— Rented.........	1,333,909	79,167	31.0	5.9	214,997	26,448	10.4	12.3
— Single Detached....	1,832,468	70,894	27.8	3.9	1,146,033	112,123	43.9	9.8
— Owned.........	1,581,489	46,174	18.1	2.9	985,036	89,425	35.0	9.1
— Rented.........	250,979	24,720	9.7	9.8	160,997	22,698	8.9	14.1
— Single Attached....	331,699	18,742	7.3	5.6	73,234	5,220	2.0	7.1
— Owned.........	160,593	5,156	2.0	3.2	42,545	2,969	1.2	7.1
— Rented.........	171,106	13,586	5.3	7.9	30,689	2,251	0.9	7.2
— Apartment........	1,108,654	45,728	17.9	4.1	42,444	2,284	0.9	5.4
— Owned.........	197,367	4,882	1.9	2.5				
— Rented.........	911,287	40,846	16.0	4.1				

SOURCE: DBS Cat. 93-529, *Dwelling Characteristics by Type and Tenure* (Ottawa: DBS, 1963), Table 78.

Table 2

DISTRIBUTION OF DWELLINGS BY LOCATION AND CONDITION OF DWELLING — 1961

Locality	*Total*	*Condition of Dwelling*					
		Good Repair		*Minor Repair*		*Major Repair*	
		No.	%	*No.*	%	*No.*	%
Canada	4,554,493	3,372,623	74	926,456	20	225,414	6
Rural	1,274,025	802,665	63	351,451	28	199,909	9
Farm	449,553	270,118	60	137,178	31	42,257	9
Non-Farm	824,472	532,547	64	214,273	26	77,652	9
Urban	3,280,468	2,569,958	78	575,005	18	135,505	4
100,000 and over	2,089,070	1,689,343	81	331,744	16	67,983	3
30,000 — 99,999	428,247	326,350	76	80,609	19	21,288	5
10,000 — 29,999	262,358	193,283	74	54,122	20	14,953	6
5,000 — 9,999	149,476	110,237	74	30,078	20	9,161	6
under 5,000	351,317	250,745	71	78,452	22	22,120	6

SOURCE: DBS Cat. 93-523, *Basic Dwelling Characteristics* (Ottawa: DBS, 1963), Table 15.

Table 3

DISTRIBUTION OF DWELLINGS WITHOUT WATER AND FURNACE — 1961

	Urban (Over 1,000)						*Rural Farm and Non-Farm (Under 1,000)*					
	Dwellings without Water			*Dwellings without Furnace*			*Dwellings without Water*			*Dwellings without Furnace*		
	No.	*Distribution*	*Incidence*	*No.*	*Distribution*	*Incidence*	*No.*	*Distribution*	*Incidence*	*No.*	*Distribution*	*Incidence*
		%	%		%	%		%	%		%	%
— All dwellings......	56,287	11.3	1.7	756,887	51.1	23.1	439,893	88.7	34.5	725,385	48.9	56.9
— Owned.........	38,214	7.7	2.0	309,207	20.9	15.9	372,126	75.0	35.1	597,399	40.3	56.4
— Rented.........	18,073	3.6	1.4	447,680	30.2	33.6	67,767	13.7	31.5	127,986	8.9	59.5
— Single Detached....	44,720	9.0	2.4	325,064	21.9	17.7	417,972	84.2	36.8	659,713	44.5	57.6
— Owned.........	35,981	7.2	2.3	239,646	16.2	15.2	353,705	71.3	35.9	558,503	37.7	56.7
— Rented.........	8,739	1.8	3.5	85,418	5.8	34.0	64,267	13.0	39.9	101,210	6.8	62.9
— Single Attached....	2,416	0.5	0.7	95,122	6.4	28.7	14,590	2.9	19.9	37,823	2.6	51.6
— Owned.........	1,100	0.2	0.7	26,041	1.8	16.2	10,084	2.0	23.9	23,171	1.6	54.5
— Rented.........	1,316	0.3	0.8	69,081	4.7	40.4	4,534	0.9	14.8	14,652	1.0	47.7
— Apartment........	4,389	0.9	0.4	333,294	22.5	30.1	3,545	0.7	8.4	20,729	1.4	48.8
— Owned.........	450	0.1	0.0	40,399	2.7	20.5	2,160	0.4	10.5	9,578	0.7	46.6
— Rented.........	3,939	0.8	0.3	292,895	19.8	29.5	1,381	0.3	6.3	11,151	0.7	50.9

SOURCE: DBS Cat. 93-529, *Dwelling Characteristics by Type and Tenure* (Ottawa: DBS, 1963), Table 80.

clustered in single blocks or even sections of a city. Our review of a number of urban renewal studies shows them to be dispersed throughout older, centre cities, albeit in small pockets. Others are located on the rural fringes of developing metropolitan areas. If a rehabilitation program is established, care must therefore be taken to avoid the pitfalls of area designation, as seen in the urban renewal program, which required the designation of a specific area to be cleared or improved. What is required is a policy of universal assistance for households qualifying for it, with the possibility of additional help where more comprehensive efforts are intended to upgrade community services and facilities, as well as individual houses.

Most units requiring rehabilitation are occupied by low income households, frequently owner-occupants, in rural areas, city cores, on metropolitan fringes and scattered through cities of all sizes. We have two basic choices: continue the existing policy of allowing the units to deteriorate to the point where they must be replaced and do nothing to improve them in the interim — or move to conserve and improve existing stock which is worth saving.

Doing nothing appears to have the great advantage to the public purse of costing nothing. That advantage is illusory. Against an immediate expense of perhaps three or four thousand dollars to repair a deteriorating house immediately, there is the possibility, in a short time, of having to spend fifteen or twenty thousand dollars to erect a new unit, perhaps more depending on the acquisition cost of the existing dilapidated one. Not all of the larger sum will be spent, as some of the cost will be recovered from rent. (But then, government may not have to foot the entire rehabilitation bill.) Nor will it all necessarily be spent by government, as private redevelopment is also possible. (In which case, new decent units will be built, but not for existing residents.) Whatever the cost to government, there is the clear cost to society of producing new assets to replace ones allowed to waste, when minimal repairs would have sufficed.

Attempting to do a cost benefit analysis of rehabilitation versus redevelopment leads one into a mare's nest. Basic cost data is lacking. There are too many variables. Social costs like those involved in destruction of neighbourhoods and forced relocation cannot be calculated.

The most obvious social cost is the burden imposed on households left living in inadequate housing, as many as one million of them. If we aspire to a goal of equal access to decent housing for all Canadians, what possible reason is there for waiting until poor housing becomes intolerable? The cost of acting now? We have seen that the cost of present versus future action cannot be weighed. From our present state of ignorance we can clearly state that we do not know that it will cost more to rehabilitate now than to rebuild later. We strongly suspect the opposite to be true. And if it does cost more, is that a sufficient justification for inaction?

We have no difficulty answering the question and are led to recommend the immediate implementation of a program of universal grants to low income owner-occupants and small landlords, and of preferred loans to larger landlords.

A Program Proposal

Because the need for a rehabilitation policy is so great and its development so long overdue, we set out in detail below a proposed program dealing with rehabilitation and conservation.

CRITERIA, COSTS, STANDARDS

Criteria — Funds should be available for the installation or repair of structural, plumbing, heating and wiring services for any house that has a reasonably useful life after the repairs are made. Any definition of useful life will be somewhat arbitrary and we adopt the English measure of fifteen years. An investment of the relatively small sum required for repairs against the cost of demolition and replacement leads one to choose a relatively short period. Useful life would be defined in terms of the life of the building structure and in terms of government plans for the community in which it is located — if an outport village is to be moved immediately, or an area slated for demolition shortly, then the building does not have a useful life.

Costs — Maximum costs and funding should be established for each item of installation or repair. The installation of a new heating, plumbing or wiring system should not cost more than $1,000 each, for an average house in a large urban centre. In rural areas, where high labour costs are not involved and self-help could be used, costs could be considerably lower. They would clearly be less where repairs rather than new installations were required.

The cost of structural repairs and installations is more problematic. Envisaged here are roofs, exterior walls, windows and storm doors, floors, interior walls, stairs, etc. Funding should not aim at completely gutting and rebuilding the unit but bringing it up to minimum levels of safety, etc. In order to control costs, maximum funding per item and for all items could be adopted. Maximum allowable cost for all structural repairs might be $2,500 and for all structural and other systems $2,500 plus $1,000 for each of the other three systems.

Legislation would be enacted introducing these as initial limits, either by statute or regulation. Subsequently, schedules of cost could be established on a regional and/or metropolitan basis and limits established upward as required.

Standards — All that is contemplated here is bringing housing up to decent working condition, not to the standard of a new, second-hand house. Standards should be broad general performance requirements, not detailed technical specifications.

While it is desirable to bring all housing up to these standards immediately, it is recognized that limits on governmental spending make this impractical. It will be necessary to phase the program over time. Government should similarly recognize that, unless it provides 100 per cent of the funding, it is impractical for the household to make all the repairs or installations at one time and it should be permitted to make them at its own pace and ac-

cording to its own set of priorities. If an adequate heating system is more important to it than a leaky roof, it should be permitted to do only the work necessary to reach that objective.

FUNDING MECHANISM — HOMEOWNER GRANTS

Market rate loans clearly will not work for low income households. There are only two real choices: grants and/or low interest or interest-free loans.

We can surmise that no one (who was not an eccentric) would live in a house without heat, running water, etc., if he could afford not to. Low income households annually put whatever money they can spare into upgrading their units.

The simplest solution to the problem would be to give them the money to do the necessary work. If we recognize that housing is social capital, as much as schools or roads, and that much of the existing stock will continue to be used long after its present owners and occupants are gone, then it makes sense not to rely on the ability of the present occupant to preserve that social asset and for society to underwrite the work if necessary.

What objections are there to society paying for all housing improvements to a minimal level?

First, there is the possibility that money will be given to large slum landlords who already make an unconscionable profit from substandard housing. We will deal with the rental situation below and confine our remarks for the moment to grants to homeowners. Secondly, there is the possibility that grants would go to people who can afford to do the work themselves and that it is wasteful of society's resources and inequitable to other owners who do look after their property to give money to those who can afford to do so but do not. Thirdly, it is sometimes suggested that an owner could take the grant, improve his house, sell shortly thereafter and pocket an immediate profit.

The second argument, that grants might go to those who do not need them, is not persuasive in the light of the data. Relatively few people who can afford to live in decent dwellings forego the opportunity. The small possibility of a windfall to them does not warrant the imposition of a means-tested loan for those who cannot afford decent shelter. The price of preventing windfalls, in the absence of strong and effective code enforcement, is further deterioration of the limited number of inadequate units occupied by the middle class.

Nor is the argument that the low income householder can immediately sell his home and reap a windfall profit particularly impressive. The elderly and rural households are clearly unlikely to do so. Nor, in the light of the shortage of cheap substitute accommodation, is it likely that many other low income households will sell. There may be some risk that speculators will buy old houses and seek grants, intending to fix up and resell the units at a profit. To cover this eventuality, it could be a condition of the grant that it (or a proportion of it) be repaid if the owner sells within a five-year period.

Alternatively, means-tested grants, or low interest, or no-interest loans could be provided. Any one could be on a sliding scale, with the amount of grant or loan (and the interest rate) sliding with income. This would have the

advantage of reducing program costs and excluding persons who were not of low income. It would, however, have the disadvantage of the stigma of a means test.

Loans would have the added advantage to the public purse of leaving the capital recoverable, probably on sale or at the death of the owner. There are a number of drawbacks, however. Foremost is the demonstrated unwillingness (perhaps aversion) of some low income persons to undertake more debt. The elderly and rural households come to mind immediately. Even if repayment of capital were postponed and interest rates low, they might still be unwilling to borrow. Administration of loan applications and repayments would be more costly.

The question of standards would once more arise. Higher standards are a concomitant of a loan program, as they ensure the repayment of the loan. Finally, the Corporation would have to be prepared to take a subsequent encumbrance, whether by way of mortgage or lien rather than a first mortgage position, or the prior encumbrancers would have to be prepared to waive their priorities in its favour. A waiver might not be too difficult to obtain in the case of an ordinary first mortgage, as the work would frequently improve the mortgagee's security position over and above the cost of the work done. But where a property is heavily mortgaged, perhaps carrying even third mortgages or encumbrances, with the possibility that those are inflated by way of bonuses, it may be impossible to obtain a waiver and the Corporation might be unwilling to accept a subsequent position.

Between the three options of unconditional grant, means-tested grant and means-tested loan, we recommend the unconditional grant on the basis of administrative simplicity, acceptability, and absence of stigma.

FUNDING MECHANISM — RENTAL PROPERTIES — SMALL LANDLORDS

For rental properties, the choices appear to be between regulation and enforcement of code standards, grants, loans, or a combination of code enforcement and one of the other two financing mechanisms.

A substantial number of these rental units are single-detached or attached as we have seen. Of all rental units in Canada in 1961, some 40 per cent were single-family detached or attached. (The pre-1961 stock is the most relevant, as it contains virtually all of the units requiring rehabilitation.) There are no hard data on the ownership patterns of these houses. Some are undoubtedly held by owners who operate considerable numbers as an investment. Others are owned by professional developers and speculators in anticipation of redevelopment. (A substantial number of rooming houses probably fall in this category.) Maintenance and repair expenditures on these are kept to a minimum. We suspect that the majority are held by small holders. Apartments needing repair also range from flats over a store, to duplexes, triplexes and fourplexes, to tenements and high-rise buildings. The smaller units are likely held by small landlords.

The American experience has been that many absentee owners "are relatively small holders, owning perhaps two to a half-dozen parcels. Their early dreams of substantial profits have disappeared, some of them indeed are owners by inheritance rather than by design. They have little confidence and decreasing interest in the maintenance and upkeep of their parcels. What is required is a takeout mechanism, i.e., a purchase or resale methodology which will permit such structures to move into more interested and/or perhaps stronger ownership patterns."[13]

Code enforcement has not been particularly successful in dealing with the problem, either here or in the U.S. Administrators, politicians and courts have been unwilling to compel owners to increase their investment in a building without the expectation of an increased return. Municipalities, even where they have the power, have been leery of undertaking the repairs themselves. And if improvements are made, and the traffic will bear it, rents rise and living conditions improve at the expense of an even greater portion of the low income households' budgets.

Some additional funding, together with protection against increased rents, appears to be required. Should it be by way of grant or loan? The advantage of a grant scheme is that the only additional cost of operating the building will be increases in maintenance costs and in property taxes (unless legislation exists, as announced in Ontario, providing for tax abatements). In exchange for a grant, an agreement could be obtained not to raise the rents, except to cover proven increases in those costs. If loans were made at market rates or even the section 15 rate, it might be necessary to allow rental increases to cover increased debt charges as well. To obviate that possibility, further subsidization of the rate might be permitted. The interest rate subsidy would vary with the rent level set, rather than with the owner's income.

There appears to be little to choose between the two methods. The immediate capital requirements for the grant must be balanced against the annual subsidy payments. It is possible that owners would prefer not to incur further liability by way of loan, particularly if return for the investment would be tied, and that under a loan arrangement, rents might have to be controlled for a shorter period of time. We therefore recommend that for landlords operating less than four units, grants be made available.

Grants would be particularly helpful to non-profit groups, i.e., co-operatives, non-profit corporations and municipalities intending to purchase existing stock for non-profit housing purposes. As noted above, many small landlords may be looking for a purchaser to take them out. Proposed tax changes will render rental buildings a less attractive investment to persons with other income looking for a tax shelter, as they will no longer be able to deduct losses produced by deductions for capital cost allowance or interest payments from other professional or business income. This will reduce profitability and perhaps willingness to keep up the units. Municipalities and

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[13] G. Sternlieb, "Abandonment and Rehabilitation: What is to be done?" in *Papers submitted to Subcommittee on Housing Panels,* Committee on Banking and Currency, House of Representatives (Washington: GPO, 1971), pp. 315-17.

non-profit groups should be encouraged to acquire these properties (regardless of size) by preferred loans for acquisition and rehabilitation grants.

Should the grant or loan be for 100 per cent of the cost of the work, or for some lesser percentage? DBS Expenditure Surveys reveal that low income homeowners expend a relatively greater amount of their income for repairs and maintenance than the upper income groups and they are still unable to upgrade their homes sufficiently. Those households will still be prepared to spend those sums if a grant is available, particularly if the work can be phased over time.

While some households will be unable to make any expenditures, we feel that grants to homeowners should be set at the level of ⅔ of cost. This should represent roughly the cost of materials. In rural areas, where half the units to be rehabilitated are located, most households could provide that labour and would be willing to do so. In urban areas, it will also be possible for the homeowner to do some of the work himself, although some will not have the necessary skills. In some cases, municipal by-laws will require that the work be done by a licensed plumber or electrician. Where the owner is unable to perform the work, it may therefore be necessary to provide loans at the preferred lending rate for the balance of the cost. The requirement that either labour or some capital (albeit borrowed) be provided will ensure that the program does not appear to the recipient to be a giveaway. The improvements will be the result of his own efforts. The required contribution may also induce restraint in individual decisions on the cost of the improvements made.

In areas where a strong rehabilitation effort is desired as a companion to one of the suggested urban assistance programs, grants could be increased to 4/5 of the cost of the work. Similar increases could be applicable in rural improvement areas, should the government decide to return to that approach.

FUNDING MECHANISM — RENTAL PROPERTIES — LARGER LANDLORDS

For owners of more than four units, this report recommends that the loans be for 90 per cent of cost and at the preferred lending rate, in exchange for an agreed 10 year lock-in on rents. In the case of professional landlords with larger projects, further subsidization by way of grants or reduced interest rates below the federal borrowing rate should not be considered. The availability of preferred loans should be a sufficient impetus to administrators and courts to firmly enforce housing codes. We see little justification for subsidizing investors to carry out their legal obligations under municipal housing standards by-laws and, in a number of provinces, provincial Landlord and Tenant Legislation.

Owners of small multiple projects should have the option of taking the two-thirds grants or 90 per cent loan.

ADMINISTRATION

Ideally, these programs should be administered at the municipal level, in urban areas. There are at present a limited number of municipalities with the

capability to do so. Examples of these are Montreal, Toronto and Ottawa. They should be given responsibility for program implementation immediately. In other centres, until such time as municipal capability is developed, the CMHC branches should disburse the funds.They presently exist throughout the country and have the necessary expertise and it makes little sense to await the development of that capability at the provincial level. A major rehabilitation thrust is long overdue and should not be delayed until the provinces, which have shown little interest, are ready to move. Experience in the public housing field shows that the provinces will be less willing than the federal government to transfer authority to (or promote the competence of) municipal government in this area.

In rural areas, both the federal and provincial governments now have a limited presence, although the branches of CMHC are probably the best starting point. It is in these areas that the administrative costs of the program are likely to be greatest. As a result, the provinces might not be too eager to administer the program. Even if they do insist on authority for program implementation, there is the problem of start-up time and the possibility that they will not actively push the program. The ideal solution might be a joint effort in rural areas. In both the Maritime and Prairie regions it might be possible to organize joint efforts by the federal government and a number of provinces to pool staff resources and expertise.

RESPONSIBILITY FOR PROGRAM COST

We recommend that the entire costs of grants, subsidies and loans be borne by by the federal government. It has the most progressive tax base and there are substantial redistributive elements in the program.

Federal responsibility will prevent the channeling of most of the funds to the residents of the wealthier provinces which can afford to match grants. At least for rural areas, there is a strong regional equalization aspect to rehabilitation.

The administrative costs of the program will be greater than in the case of ordinary loans. Houses will have to be checked initially for eligibility and amount of grant or loan. They will have to be checked on completion before a final payment is made. Much effort will have to be given to publicizing and explaining the program to low income households. Counselling would be advisable to steer them to reputable contractors and ensure that only work actually required is done, i.e., no new roofs where reasonable repairs would suffice.

COST OF THE PROGRAM

Our rough estimate is that there are 500,000 units each requiring structural, plumbing and heating installations or repairs. The same figure is assumed to hold true for the case of wiring. In 1961, 76 per cent of units lacking heating, 87 per cent lacking plumbing facilities and 80 per cent requiring major structural work were single family. We therefore assume for costing purposes that 80 per cent of all units requiring rehabilitation will either be owner occupied or

occupied by landlords owning fewer than five units. We also assume that over the next decade, less than half of all eligible owners will apply for grants. The English experience with a similar scheme was that over twenty years one-quarter of eligible owners applied.

With two-third grants for necessary work, the maximum structural grant will be $1,666 and the maximum for other services will be $666. Total grants would be:

Structural	200,000 x $1,666	=	$333,200,000
Heating	200,000 x $ 666	=	133,200,000
Wiring	200,000 x $ 666	=	133,200,000
Plumbing	200,000 x $ 666	=	133,200,000
			$742,800,000
To that should be added approximately 20 per cent for administration			150,000,000
			$892,000,000

That is approximately $90 million per year.

Loans to landlords for 90 per cent of cost on 50,000 units would total:

Structural	50,000 x $2,250	=	$112,500,000
Heating	50,000 x $ 900	=	$ 45,000,000
Wiring	50,000 x $ 900	=	$ 45,000,000
Plumbing	50,000 x $ 900	=	$ 45,000,000
			$247,500,000

That is approximately $15 million per year.

Loans to owners eligible for grants, if one-quarter also obtained loans, would total:

90% x ¼ of $371,000,000 = $83,500,000
(⅓ of total cost)

That is approximately $8.5 million per year.

Maximum annual program costs would therefore be about $90 million per year in grants and $23.5 per year in loans.

These figures are of course intended as rough indications of the maximum cost of the program. In that 80 per cent may be a high figure for households eligible for grants and 50 per cent might be high for applications, costs could be considerably lower.

If the federal government is to administer the program in some areas and encourage provinces and municipalities to undertake administration in others, some arrangements will have to be made for the sharing of administrative costs, where one of the other two levels of government is prepared to undertake program implementation. Otherwise, they may be prepared to leave administration with the federal government. Relying on the precedent of urban renewal, we suggest that where urban municipalities or provinces assume that responsibility, or where it is shared, the federal government should pay 50 per cent of the administrative costs as well.

HOME IMPROVEMENT LOANS

The grants and loans proposed would only bring houses up to minimum standards of shelter. Decent housing is more than shelter. Loans should be available to low income homeowners and to landlords providing low income housing, covering the same type of improvements as those possible under Section 28 insured bank loans.

The CMHC pamphlet describing those loans points out that they are available for the following: the improvement of heating, light and power and plumbing systems (as well as installation and repair); repair or improvement of built-in cooking, domestic refrigeration and garbage disposal equipment; painting, paper-hanging and general decorating, including an over-all floor covering or carpet made, cut or prepared to fit a particular room, but excluding such items as curtains, drapes and rugs; the purchase, construction, installation, repair or improvement of fences; the construction or repair of private driveways, roadways, sidewalks or curbs and landscaping of a permanent character; the sinking, making, installation, or repair or improvement of wells, and all types of water supply systems for the home.

CMHC presently has the power to make loans for this purpose under section 58. No direct loans have been made for home improvements except where they are undertaken in conjunction with the purchase of an existing house. The legislative authority should be exercised and loans should be made at preferred interest rates for the improvement of low income housing and their availability made known to the public.

The objectives of such a lending program would be: to improve access to decent living conditions (and not merely minimal shelter) for all Canadians; to reduce the burden on low income households who must now pay excessive interest on short term loans made by finance companies, material suppliers and assorted loan sharks; to provide some measure of consumer protection to low income households by information services regarding the need for improvements, extent of work required and reputation of the contractor; to promote neighbourhood housing conservation, by upgrading the appearance and exterior condition of housing in the area and thereby maintaining or restoring confidence in its vitality.

A very strong response to such a program can be expected: 20,000 to 25,000 loans per year might be made. A loan ceiling of $2,500 per unit, a lending ratio of ninety-five per cent and a repayment term of twenty years are suggested. If average loans amounted to $2,000 per unit, this might mean an annual lending level of $50,000,000 per year.

Preferred loans would be available to landlords as well as homeowners, in exchange for a ten-year lock-in on rents. As well, immediate inquiries should be made to determine the reason for the sharp decline in middle income home improvement loans under section 28 and steps taken, if necessary, to correct that situation. CMHC field offices and approved lenders should be reminded of the provisions of section 7, permitting all approved lenders to make insured loans for home improvements and efforts made to stimulate such lending by them.

Stabilizing Low Income Neighbourhoods

Table 9 of chapter 2 reveals the declining importance of centre city residential development in meeting metropolitan housing requirements. During the last decade, two-thirds of all new units were built in the suburbs. In Montreal and Toronto, the proportion was higher. By 1971, only 10 per cent of all starts in Toronto, 16 per cent in Montreal and 21 per cent in Vancouver were in the centre city.

These figures cast much doubt on the assertions of redevelopment proponents that residential redevelopment (the replacement of medium density, low-rise, family housing with high-rise towers for small households) is the lifeblood of our major cities. The small increment in the housing stock produced, for upper income households, is not worth the dislocation, bitterness, and divisions (both within neighbourhoods and municipal councils) which attend redevelopment. For that small number of units enough vacant and under-used government-owned land, waterfront sites, railway yards, derelict warehouses etc. can be redeveloped at considerable profits, without imposing the costs on low income households.

A number of steps should be taken to stabilize and improve living conditions in centre city neighbourhoods, in order to increase resident and small landlord confidence and therefore, willingness to invest in home improvements. Many of these are covered in recommendations to CMHC on Urban Assistance and we will not dwell on them here. A number require action at the local and provincial level. They include:

(1) Moratoria on property tax increases following improvements;
(2) Raising the level of municipal infrastructure and "housekeeping" services;
(3) Funding of training of municipal administrators;
(4) Pressing insurance companies to provide insurance in red-lined areas or a residual government insurance program in those areas;
(5) Prohibiting demolitions of existing dwelling units until such time as they are required for redevelopment (a familiar blockbusting technique).

The federal government has little leverage in these matters. There is one other area where it could help to stabilize neighbourhoods. The one function over which it exercises some control is the financing of private redevelopment, by direct funding (admittedly a rarity) and by its insurance powers. Public urban renewal, funded in part by the federal government, was frozen because of the social costs it imposed on the residents of the area and the effect of redevelopment on the fabric of the city. We recommend a similar freeze on NHA financing for private redevelopment in excess of fifty units while the federal government undertakes a study of its implications.

Chapter 9

Land Assembly and Land Banking

> The Task Force . . . has concluded that to achieve both cost efficiency and planning effectiveness, municipalities (or as expounded later in this Report, regional governments) should acquire and service all or a substantial proportion of the land required for urban growth within their boundaries. It believes, further, that the federal government should be prepared to make loans to municipalities for that purpose.
>
> In view of the Task Force, the arguments in favour of municipal assembly and servicing of land are overwhelming. Members are convinced that, without downgrading the initiative and enterprise of private developers, municipalities can do this job at generally lower cost to the ultimate user. There is no question in their mind that municipalities can plan the use of land more effectively if they assemble and service it . . .
>
> The Task Force should not attempt to dictate the price at which municipalities should sell such land, but it could have no objection to a practice whereby the local or regional government recovered its actual costs, including those for land reserved for public uses under its development plan, plus some profit. The aim, however, clearly must be to reduce the cost of serviced land to the ultimate consumer . . .
>
> On the basis of all the evidence and impressions before it, the Task Force believes that municipal assembly and servicing of land would produce major reductions in land costs in both the short and long term while encouraging and assisting effective urban planning. Therefore, in summary, the Task Force recommends that:
>
> Municipalities or regional governments, as a matter of continuing policy, should acquire, service and sell all or a substantial portion of the land required for urban growth within their boundaries.
>
> The federal government should make direct loans to municipalities or regional governments to assist them in assembling and servicing land for urban growth.[1]

No action has been taken on those recommendations of the Hellyer Task Force, made in January of 1969. Funding of land assembly programs continues at minimal levels. This chapter examines the development of federal land development policies, the reasons for land assembly and banking, the costs of action and inaction, and the problems of implementation of land assembly and banking programs.

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[1] *Report of the Task Force on Housing and Urban Development* (Ottawa: Queen's Printer, 1969), p. 40-1, 43.

The Development of Federal Policy

Public land assembly has been undertaken primarily under two sections of the National Housing Act: section 40 and section 42.[2]

Section 40 — enacted in 1949 as a companion piece to the public housing partnership provisions — permits CMHC to jointly undertake with a province (or an agency of the province) the acquisition and development of land for housing purposes. The section follows the familiar pattern of a joint 75 - 25 percent, federal-provincial partnership.

Statutory provisions for land assembly provide no clear statement of the purposes of the various sections, or when and under what circumstances they should be utilized. The partnership provisions appear to allow the federal government, jointly with a province, to undertake a large scale land banking and development exercise. CMHC, however, has taken the position that public acquisition of land for banking purposes is not a proper federal function. The acquisition of sufficient land for direct construction under the public housing provisions could be justified, but not a federal land banking operation.[3]

> It must be recognized that the treatment of this process is essentially the function of local planning agencies. The assigning of land for the various needs of the community and the initiation of steps to prepare land for those uses should be the principal function of a community planning system. In fact, the present critical shortage of developed residential land arises because the organization and techniques of land planning have not been adequately developed in Canadian communities. This Corporation is therefore being compelled to take direct action in a role which, constitutionally, does not properly belong to a Federal agency but should be performed by a Municipal agency with Provincial legislation. For this reason it cannot be contemplated that CMHC should perpetuate the policy of direct land assembly; it must be regarded as nothing more than a provisional procedure.
>
> In spite of the immediate convenience of assembling land by the direct action of a Federal agency, the Corporation should only be willing to operate this policy on a short-term basis and should at the same time make every effort to stimulate the Provincial and Municipal authorities to assume their appropriate roles in community development. It would hardly be appropriate for CMHC to embark upon a long-term policy of land acquisition which would conflict with the traditional and constitutional responsibility and self-determination of municipal corporations . . .

During the next five years, however, few municipalities took advantage of the legislation.[4]

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[2] Land assembly may also be undertaken under section 55 of the NHA. That section permits Central Mortgage and Housing Corporation to directly acquire, service, and develop land for housing purposes. Largely as a result of government and CMHC attitudes against direct federal land assembly, the section has not been put into practice.

[3] *CMHC Memorandum*, November 2, 1949.

[4] *CMHC Memorandum*, February 8, 1955.

> There [is] little question that the ambition to develop land for housing begins with the builders rather than the municipalities. The Act as it stands offers aid to municipalities or guarantees to life insurance companies in the development of land. Applications for this aid are not forthcoming at an appropriate rate.

The Advisory Group of Central Mortgage and Housing Corporation then recommended consideration of the sale of lots at above cost and below market prices, with the transfer of part of the profits to municipalities for specified purposes. The proposed transfer was designed to be an incentive to attract municipalities to the program. The possibility of including the capital cost of off-site sewage trunk lines was considered to be a further incentive.[5]

> The [Advisory] Group feels that in future the accent should be on the acquisition of raw land by Federal-Provincial Partnerships. In theory the initiative should come from the Province. In practice it is likely that there will be considerable joint consultation between the partners before embarking on a program of land buying. The idea is that the land should be bought several years ahead of its anticipated need for urban development. It will be purchased at market value and only in rare cases do we envisage a need for expropriation by the Province.
>
> The land will be held by the Partnership until such time as it is needed for urban development. It is then proposed that the land should be offered for sale to the municipality at cost to the Partnership subject to certain restrictions on subdivision control, sale of lots to bona fide home owners at market value and so on. If the municipality is unwilling to buy the land, service and sell the lots, we feel that the Partnership should then offer the land at market value to the private land developers. Only when such a sale is not possible or it is otherwise felt to be in the public interest, [would the partnership] undertake direct action and proceed to service and sell lots. However, on a Partnership sponsored land assembly project the lots would be sold at market value.

The advantages seen in these proposals were: there would be very little interference by senior governments; servicing would be provided by the municipality or private developer; profits would accrue to the municipality; and a favourable atmosphere for urban growth and possible reduction in land prices would result.

Very little came of the suggestions. All the major assemblies which were done before the second half of the 1960's were completed by the end of 1955. Land assembly activity slackened off completely after 1957.

The limited use of the land assembly provisions can be largely explained by the apparent change in CMHC's interpretation of the purpose of the land assembly provisions:[6]

> The shortage of serviced lots is probably more directly related to the lack of trunk sewers, watermains and municipal plant than in the lack of fronting services. During the past decade the municipalities have made great strides in providing these major works.

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[5] *CMHC Memorandum*, August 22, 1955.

[6] *Memorandum*, President to Minister, February 24, 1960 (emphasis added).

> The Federal-Provincial Partnership has acquired substantial land holdings in such cities as Ottawa, Kingston, Toronto and Hamilton. In the case of Hamilton these holdings total about 1,000 acres and one can appreciate that *private developers may be apprehensive about the effect on the local land market* if the Federal-Provincial Partnership were to proceed with extensive land assembly projects.
>
> The Federal-Provincial Partnership, however, has been careful to avoid competition with private enterprise. Projects have been initiated where there was evidence of a shortage of serviced land which was hampering house construction. In the smaller municipalities these Federal-Provincial Land Assembly Projects have also served as examples of group planning practice.
>
> The advantage of government developed land cannot be equitably passed on to the consumer without making it available in large quantities year after year to meet the demand: *this would require expenditures of public funds at a very high level.* Government would no doubt be reluctant to revert to such a course of action so far afield from the principles of free enterprise economy. The only legitimation that can be found for a land assembly program carried on a limited scale rests with exceptional land uses of a public character: parks, civic buildings, low income rental housing, rental housing for senior citizens, etc.

The memorandum highlights the themes repeatedly found in the development of the public housing and assisted homeownership programs: preservation of an uncontrolled private market and concern about the cost of large scale federal government activity.[7]

No reference was made to the costs resulting fom reliance on an uncontrolled private land market or to the fact that the "expenditures" would in fact be fully recoverable loans, on a one-shot, non-recurring basis.

Despite the earlier position taken by the Advisory Group, the corporation had retreated to the position that the interest of private developers must be protected, and the development of land must be left to free enterprise rather than public efforts. The retreat was a direct result of political pressures created by developers, who understood the implications of several large scale assemblies in Southern Ontario.

Activity under the land acquisition and development provisions of the NHA was limited until 1966 or 1967. It was then that the province of Ontario became quite concerned about the rapidly rising cost of land. In 1967, the Deputy Managing Director of the Ontario Housing Corporation wrote to CMHC pointing out that the province's new program entailed the assembly of land, either for immediate development or for land banking purposes. While the province hoped to proceed on its own under an amended section 42, it would prefer to proceed in the interim under the Partnership provisions.

At the 1968 Federal-Provincial conference on housing and urban development, the Ontario Deputy Minister of Municipal Affairs stated the provincial opinion that rising land cost should not simply be attributed to the increased cost of services. He suggested that the most significant factor in land

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[7] See the discussions of both of these programs for more detail.

cost was, in fact, the cost of raw land, which included a substantial speculative component, resulting from the limited supply of such land. Ontario then suggested that massive public intervention in the acquisition of land would go a long way to resolving much of this problem.[8]

In anticipation of a major Ontario program, CMHC staff developed a set of criteria for land banking. Banking would have to be based on a regional plan and the location and size of the lands to be acquired should be based on the development plan for the community. In the absence of community and regional plans, acquisition would have to be premised on a general forecast of the growth potential of the urban region for a fifteen year period, and supported by a general review of the physical characteristics of the region and of its major transportation, servicing and community facilities. The aim of the criteria was to encourage land assemblies large enough to permit comprehensive and planned development for industrial, institutional, commercial, and recreational uses, as well as residential.

In April, 1968, responding to pressure from Ontario, the CMHC general instructions regarding land assembly were changed. The new instructions recognized that section 40 might be used to create a land bank to restrain rising land costs.

Recognition was given to the fact that either a province or the Corporation might undertake the entire development on the part of the federal-provincial partnership.[9] The instructions went on to point out that present policy did not contemplate a long term investment on the part of the Corporation in land assembly other than in holding land for future use. The majority of assemblies to that date had been disposed of, and the capital recovered, within a short period of time. The facilities of section 40 could be used to assist provinces interested in developing land for disposal by means of long term leases. But, despite the lack of a stated term of repayment in the legislation (which provided the opportunity for a very long term loan arrangement), the general instructions went on to indicate that CMHC's 75 per cent share of the cost, with interest, would have to be repaid within a period of fifteen years. This was considerably shorter than Ontario's original request for fifty year funding for land banking, so that the land could be leased at a low annual rental rather than sold. Unfortunately, the long term funding was opposed by the federal Department of Finance and the fifteen year period of repayment remained firm.

Section 42, enacted in 1964, as a counterpart of the section 43 loans for public housing, was originally intended for use only for public housing purposes. The program provided for a 90 per cent loan for acquisition and servicing costs with title to the land being retained by the borrower — usually the province.

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[8] *Summary Notes*, Federal-Provincial Meeting on Housing, CMHC, Ottawa, 1968, p. 27.

[9] The latter agreement was particularly important to Ontario, which had repeatedly indicated its desire to control its land banking programs, independent of CMHC.

In 1969, section 42 was expanded to allow the acquisition of land for general, as well as public housing purposes. A terminal date for use of this power was inserted, March 31, 1972. In this case, the legislation specifically stipulated that the loan would be for a term of not more than fifteen years.

The Corporation's general instructions underlined the emphasis on a short term loan by stipulating that:[10]

> It is not the intention to make a long-term loan commitment for a combined program of acquisition and development that may require many years to implement. Normally, a loan commitment is not to be made for a period exceeding two years.

As a result of the changes, the Province of Ontario abandoned its intended large-scale intervention in the land market. The province now uses the land assembly provisions to acquire land to be transferred in a relatively short period of time to purchasers under its Homeownership Made Easy plan and takes a profit on that transfer.

A large measure of responsibility for the failure of the public sector to act to curtail rapidly increasing land prices must thus be placed on the federal government. In the past several years, provincial requests for increased funding of land assembly projects have been rejected. The rejection has resulted from a lack of understanding of the causes and effects of rising land prices, an effort by the Department of Finance to restrain the growth of the CMHC budget, and an emphasis by both the Minister and the Corporation on housing starts which causes CMHC funds — which are, of course, limited — to be allocated towards the housing finance sections of the Act rather than the land assembly sections.

From 1954 to 1970, CMHC lent $6.5 billion for housing, about one third of it for low income housing. During that same period, $90 million was advanced for land assembly. In 1970, $965 million was put into housing and $20 million into the land assembly programs. 44 per cent of the meagre land assembly funds have gone into centres of less than 30,000 in population. They have not been used to deal with the cost problems in the largest cities.

The Goals of Land Banking and Assembly

COST CONTROL

As was pointed out in Chapter 3, increased land costs have been one of the two key cost factors in housing price inflation, the other being the cost of residential mortgage money.

The cost of land under NHA single family dwellings quadrupled from 1951 to 1970, rising from an average of $1,408 to $4,258. Over that same period, the proportion of the total cost of a single family unit represented by land rose from an average of 10 per cent to 18 per cent. In the Toronto area and in surrounding cities it accounts for more than 30 per cent of the total cost.

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[10] General instruction 329, June 27, 1969.

Table 1

AVERAGE ESTIMATED LAND COSTS FOR DWELLINGS AND APARTMENTS FINANCED UNDER THE NHA

Year	*Apartment Land Cost*	*Single Dwelling Land Cost*
1951	—	1,048
1954	699	1,687
1955	793	1,819
1956	879	2,025
1957	992	2,260
1958	978	2,471
1959	990	2,533
1960	1,346	2,473
1961	1,259	2,602
1962	1,125	2,783
1963	1,277	2,973
1964	1,650	3,082
1965	1,590	3,095
1966	1,901	3,480
1967	1,853	3,580
1968	2,196	3,746
1969	2,466	4,201
1970	2,076	4,258

SOURCES: Table 85, *Canadian Housing Statistics, 1970* and p. C-2, CMHC Statistical Handbook.

In the last decade, the rate of increase slowed to 65 per cent. However, as we have seen in chapter 3, it was in excess of 100 per cent in Toronto and Vancouver. The national average was held down by small increases in the Quebec cities and in smaller centres. With perhaps 80 per cent of new housing going into metropolitan centres, and with an increased emphasis on family housing, it is not unlikely that land prices will double in the next decade. With regard to the correlation which we observed between building value and lot prices, with the construction appearing as a mark-up on land, constantly rising land prices are a key element in increased housing cost. While increases in land prices can be explained in part by increased servicing requirements and imposts and levies for off-site services, the most important factor has simply been increased population growth and demand for land, together with the oligopolistic pattern in which land is held in most of our urban centres.

The impact of urbanization on land prices can best be seen in its effect on land prices on the fringes of major cities. Unfortunately, no data have yet been collected showing the growth in land prices in those areas over time. We can, however, point to the experience of public land assembly projects, like Malvern in Toronto, where land acquired in the early fifties, in the rural part of Scarborough for $500 per acre has a present value, unserviced, of $20,000 to $30,000 per acre. We can point to the recent experience in Pickering Township, where land selling for $500 to $1,000 per acre six or seven years ago, today trades for as high as $7,000 to $8,000 per acre. Knowledgeable real estate firms point to similar experiences in most growing metropolises.

The effects of population pressures have been compounded by the manner in which municipalities plan for the development of new areas and the installation of necessary services.

Until the 1950's land development was a municipal function. The municipality itself installed all services and charged these either against general revenues or levied a local improvement tax against the properties drawing the benefits from such installation.

During the 1930's and the early 1940's a large backlog of housing needs had developed. The depression eliminated demand for new housing and in wartime resources were allocated elsewhere. At the end of the war, it was understood that substantial efforts had to be made to meet the backlog. That problem was further compounded by a rapid increase in the rate of urbanization and in particular by high levels of immigration throughout the 1950's.

Municipalities found themselves unable to fulfill their traditional role of servicing land and providing schools, roads, sewage and watermains and plants. For some of these, they turned to the senior levels of government for assistance. For others, they turned to the private land developer.

Subdivision control legislation was enacted by a number of provinces in the late 1940's. Under that legislation, municipalities could refuse to approve of development unless an agreement had been signed by the developer to provide the necessary services. At first, only internal services such as roads, curbs, sidewalks, etc. were required. Gradually (with Ontario taking the lead) this was extended to off-site services. Contributions were required for sewage treatment plants, widening of arterial roads, acquisition of school sites and construction of new school buildings or expansion of existing ones.

Private developers provided the necessary services and financial contributions in the expectation that these could be included in the end price of the lot and final selling price of the house. This expectation was correct. The cost of providing these services has been transferred from general municipal revenues to the purchasers of individual homes (or the renters of individual multiple units).

This shift is sometimes rationalized on the assumption that the erection of new homes imposes a burden on the community in that new services must be provided. Those services benefit the new residential areas. The residents of the new buildings and not all the residents of the existing community should pay for them.

But it is not the construction of the new units which imposes the cost so much as the overall growth of the community. New residential development is a cost of that growth. By stipulating that the purchaser of the unit must pay for the community services in the area, municipalities are saying that the right to decent community facilities depends on ability to pay.

With the end cost of community facilities passed on to the final user, the developer became a conduit between the municipality and that user. Ultimately, the costs were added to the building mortgage. But in the period between development permission and actual completion of construction, they were borne by the developer. He, therefore, had to be able to arrange substantial interim financing. This made it more and more difficult for smaller builders to develop land. Size and borrowing power became crucial.

This trend was further accentuated by another aspect of subdivision

control. While part of the servicing cost was passed on to the developer and purchaser, there remained heavy municipal servicing expenditures. In order to minimize these, municipalities began to control the timing of development and to refuse to permit new development in one area until other areas, which had been serviced, were substantially developed. This had the effect of increasing the value of land in those serviced areas. Developers planning new construction proceeded to buy land on the fringes of development in the expectation that these would be serviced next and they would have the necessary supply of land on which to build.

However, municipal interest in controlling the timing of development did not extend to announcing a sequence for development. They would refuse approval of new development until already serviced areas were substantially developed, but did not determine and publicize the areas which they wished to see developed next. Land developers, therefore, simply acquired as much of the vacant land around a city as they could, and then pressed for development permission. Raw land costs were cheap enough and development profits high enough that they could afford to make some mistakes. And if they could afford to wait long enough, the process of urbanization guaranteed eventual development and profits.

Most of the developers did not have the necessary resources to carry land inventories for five to ten year periods or longer, particularly because interim financing available was usually short-term and high-cost. In some areas, reassessment of undeveloped lands on the urban fringe and the tightening of exemptions for agricultural lands increased carrying costs.

Many developers have, therefore, formed working arrangements with institutional lenders or other large pools of capital to obtain assured sources of funds, for longer periods, at lower rates. In some cases, this has taken the form of joint ventures. Other developers have transformed their formerly private corporations to public ones, in order to raise necessary funds by the sale of securities. Large multinational corporations with substantial internal cash flows have bought interests in builder-developers as an outlet for those funds.

Table 2 was prepared by the CMHC branch offices in the cities covered at our request. It contains their estimates of residential land requirements for the next decade and of land held by the six major developers in the region. The developer landholdings are undoubtedly underestimated, as they cover only land of which the branch has knowledge through dealings with the developer. They do not include land held in trust for the developer or in other corporate names.

The Table does not reveal the size and power of the firms which have taken over the land development field. In the Toronto area, three firms own in excess of 5,000 acres each on the western fringe of the city: Bramalea Development Corporation Ltd., Canadian Equity Ltd. and S. B. McLaughlin Assoc. Ltd. Canadian Equity is controlled by the Cadillac Development Corporation and Bronfman (Seagrams) interests. One of the major shareholders of Bramalea is Eagle Star Insurance, which also controls the Trizec Corporation, a major residential and commercial developer. Other major landholders

Table 2

RESIDENTIAL LAND REQUIREMENTS — 1971 - 1980

	CMHC Branch Estimate of 10 year requirements (acres)	*Extent Acreage in Column 1 Controlled by Six Leading Developers*
Calgary	7,500	7,500
Edmonton	8,790	8,500
Halifax	2,250	1,600
London	4,252	3,820
Montreal	12,000	3,000
Ottawa-Hull	8,128	7,000
Toronto	19,600	18,000
Vancouver	8,000	6,900
Victoria	4,571	Nil
Winnipeg	8,000	6,155
Windsor	3,000	1,500
Regina	1,250	1,250

SOURCE: Appraisal Division, CMHC.

in the Toronto area are George Wimpey (Canada) Ltd., Monarch Construction Ltd., and Richard Costain (Canada) Ltd. All are wholly owned subsidiaries of giant English building companies. Another is Markborough Properties Ltd., a land development company set up by a number of large corporations, including George Wimpey and the Royal Bank. Kaufmann and Broad Inc., a major American developer recently acquired the better landholdings of Revenue Properties Ltd., having purchased all the shares of its subsidiary, the Victoria Wood Development Corporation.

In Ottawa, the Power Corporation has acquired control of both Campeau Construction Ltd. and Inter-Urban Properties Ltd. Through them, it owns more than 6,000 acres of land.

In the Prairies, Genstar Ltd., the Canadian subsidiary of a Belgian conglomerate, has acquired control of one of the major builders, B.A.C.M. Construction and Materials Ltd. B.A.C.M. owns more than 2,500 acres in Winnipeg alone (about one-third of requirements for the next ten years) and is one of five major land developers in Edmonton. Famous Players Theatres Ltd. last year sought development permission for the two largest and marketed, always maintaining a tight enough supply to ensure that prices continue to rise.

That danger is further increased by the close links that exist between the firms, particularly in Ontario. In Toronto, a clear pattern of joint venturing has developed among the major apartment builders. Five of them, Belmont, Meridian, Cadillac, Greenwin and Heathcliff, have established Modular Precast, a firm which will, under Meridian's supervision, produce buildings for them under a system of modular pre-cast production. Another group has formed a consortium developing an $80 million project in Bramalea — Consolidated Building, Cadillac, Del Zotto, Victoria Wood and Bramalea. The risk of collaboration on pricing (when they do not joint venture) is obvious.

Cognizant of the difficulties inherent in private land development processes, the Hellyer Task Force recommended that they be completely or

substantially replaced by municipal assembly and servicing. Public assembly and development results in cheaper land prices for the following reasons:

(1) There is no speculative profit on raw land prices. Land can be acquired well in advance of need, and sold for acquisition cost, plus carrying charges, plus servicing costs plus perhaps a small profit. Over the same period of time between acquisition and sale, privately developed land may turn over a dozen times and raw land prices be multiplied ten, twenty or more times, under pressure of market forces;

(2) Government can buy more cheaply with the power of expropriation at fair market value, without paying holdout prices;

(3) Because of its planning powers, government can ensure that all of its land is marketed. It will always buy in the right place. Private developers must charge enough on one parcel to cover losses on others;

(4) Public holding costs are lower, because it can borrow money more cheaply;

(5) Public servicing costs may be lower because of economies of scale. They may also be lower because municipalities will no longer set the highest possible standards, requiring "goldplated" services, when they must pay for them themselves.

(6) Not only is publicly developed land cheaper than that developed privately, but large scale public land development activity has a moderating effect on private prices. The knowledge that a large inventory of public land can flood the market any time that price increases get out of hand discourages excessive profit taking.

The builder's lobby, HUDAC (the Housing and Urban Development Association of Canada) has pressed CMHC and the Minister for the past year and a half to provide NHA loans to builders to open up and service new land. They argue that high prices result from a shortage of supply, caused by the inability of municipalities to service and open up new residential areas and that if they are given the necessary funds and allowed to move ahead freely, supply and demand will move closer to a reasonable balance.

EQUITY

Given existing patterns of landholding, this is extremely unlikely. Even if supply were to increase and prices drop somewhat, a fundamental issue of equity remains. By supplying funds and either allowing the developers to service the land, or by itself servicing the land, the public is adding value to it. That added value is included in the land price and in the final price of the housing constructed. Why should the advantage of that added value accrue to private interests, who have done nothing more than purchase and hold the land?

> There clearly is a socially-created increment in land values, an increment derived not from the efforts of the land owner, but from the society or community at large. One might argue that, within the context of the surface of a piece of land itself, such socially-created values represent the only increment. Why else should an acre of land in the

> downtown metropolis be valued at 100 or 1,000 times that of a physically similar acre of land in the undeveloped north? Socially-created increments are very much a part of land values. The issue is who should reap their benefits. The Task Force believes the present system is heavily over-weighted in favour of the speculator.[11]

The additional value resulting from the provisions of services should be distinguished from the further increase which results when planning permission is obtained. One CMHC official stated, as a rule of thumb, that the provision of services added 100 per cent to the value of a parcel of land and the development permission adds another 100 per cent.

PLANNING

Obtaining planning permission can be a long and costly business involving the preparation of plans, the hiring of professional consultants and frequent presentations. The planning process has become an adversary proceeding in which municipalities attempt to extract concessions from developers, and administrators, who have been burnt in the past by sharp practices, continually review proposals, looking for holes. The developer is clearly entitled to some measure of compensation for his efforts. At present, he gambles on his application being successful. The rewards must be high enough to outweigh the possibilities of failure and to ensure that, when successes and failures are averaged out, business remains profitable. Part of the price of every unit built is the additional reward for the successful gamble.

The creation of additional value by population growth and the provision of public services is not peculiar to undeveloped suburban sites. It is also present in centre cities, where increasing affluence, the emergence of a new form of demand from non-family households and public transportation expenditures, whether in the form of subways or expressways, have made the assembly of existing housing for redevelopment sites a lucrative business. Here again, capital requirements are high as are risks — and profits. The risks have been multiplied by the development of a participatory planning process, the growth of neighbourhood opposition to redevelopment and a more responsive position to neighbourhood briefs on the part of local councils.

Public planning and development is advocated to avoid the piecemeal, adversary approach to residential planning and to replace it with integrated, public initiated planning, in which profit is not the sole consideration:[12]

> How can a private developer or any one else "plan" within the confines of 25 or 50 acres. How can a municipality ensure that its pattern of growth is efficient and logical when basic decisions as to the sequence of land acquisition and servicing rest with private developers, many of whom lack the will, the expertise and the capital to take an overall view of urban development? . . .
>
> Some might argue that municipal planners already possess the necessary tools in the myriad of by-laws and other regulations they are able

[11] *Task Force on Housing and Urban Development, op. cit.*, p. 38.
[12] *Ibid.*, p. 42.

> to impose on private developers. But where is the "grand design" in zoning by-laws, subdivision requirements and the like? Instead of positive planning of transportation corridors, public and open spaces, and other broad elements of urbanization, there exists a flood of negative minutia dictating minimum lot sizes, setbacks and other requirements virtually inconsequential from a planning viewpoint. At best present municipal development by-laws can be said to prevent the worst. In point of fact, as often as not they merely inhibit the best. Given control of the land development pattern, the Task Force would hope that city planners could turn their sights and efforts to more constructive purposes.

A number of different tools have been developed in other countries to deal with the problems involved in residential land development.[13] Which one is used depends on which issue is focused on — price, equity, or planning effectiveness.

Rapidly increasing prices have been attacked in a number of ways. Norway and France have tried direct price controls. Most European countries have resorted to public assembly and development, to directly reduce the price of land marketed by the government and to allow indirect control of the price of privately marketed land by altering the level of supply. Taxation levers have been used to prevent the accumulation of large block of land. These take the form of progressive real property and capital gains taxes, varying with the size or value of the landholding. They have been used by Finland, France and Norway. Betterment taxes (levies on increases in value created by public activity) have also been used to deter the withholding of land from the market.

The equity issue can be dealt with separately from price. Proponents of private development of land argue that if oligopolistic practices and other market imperfections result in excessive profits, those can always be taxed away by some form of development tax. Italy, for example, taxes capital gains attributed to the removal of prior zoning restrictions. France has a "land value regularization tax," applied to land zoned for development and due when the public authorities have completed equipping the land with services. Various forms of development charges have been levied in Great Britain since 1947. Sweden and Norway have treated capital gains in land as income.

Taxation policy, as it affects land development has been ignored in Canada until recently. Professional developers and traders in land paid income taxes on profits from land sales, while speculators who were not in the development business could treat those profits as tax free capital gains. The Hellyer Task Force recommended that all profits from the sale of land should be treated as taxable income and that, to deal with speculation, consideration should be given to a special tax on the transfer of lands without improvements. The first part of the recommendation has been *partially* implemented. As with all capital gains 50 per cent of the gain is now included in taxable income, as a result of the revisions to the Income Tax Act.

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[13] See generally, *Urban Land Policy, Selected Aspects of European Experience*, Department of Housing and Urban Development (Washington: 1969), pp. 29-48.

For professional developers, the apparent liability to tax on land profits is offset by the deductions allowed by the legislation. Land developers can deduct from other income the property taxes, interest and other carrying costs of land held as "inventory" for future development, and paper losses resulting from interest payments and depreciation as rental buildings. The effect, in the case of large corporations, is an interest-free loan from the government of 52 per cent of the tax otherwise payable, to be used for the acquisition of more land. Under section 518 of Bill C259 (the revised Income Tax Act) this write-off is not available to people who are not in the land development business, i.e. amateur speculators, but is retained for professional developers.

We agree with the recommendation of the Hellyer Task Force that public land assembly and development is the best and most comprehensive method of dealing with land price, windfall profits and the improvement of the planning process. It should be the major policy lever for dealing with those problems, although tax policies may also be of use.

The Costs of Action and Inaction

In Chapter 2, it was pointed out that between 70 and 80 per cent of all housing will be built in metropolitan areas over the next decade, the great majority of it in suburban and fringe municipalities. The metropolitan centres are the areas where land cost is greatest. National average land costs will rise as there will be less land developed in the smaller centres where land is cheaper. Rates of growth in cost in metropolitan areas may also increase, as suburban areas continue to be squeezed between the costs of opening up new land and providing the necessary community facilities once residences are built. Aggravating the squeeze will be pressures from new family formations creating a demand for new low density family housing units and the bargaining power of major private landholders. Municipalities may be driven to require more and more services and levies from developers and thereby to drive land and housing prices constantly higher.

The following rough calculations indicate the burden presented by cost increases. The total cost of new housing built in 1970 was about $4 billion, with 20 per cent or $800 million covering land cost. Over the last two decades, as we noted above, land prices quadrupled, although over the last ten years they increased by only two-thirds. If they increase by two-thirds again, then by the end of the decade we will be spending (assuming a 30 per cent increase over 1970 production) $650 million more annually for land and over the decade, we would have spent $3.5 billion more for the land component of housing. If, as is more likely, the rate of increase rises so that land prices double over the decade, then by the end of the decade, land costs will be $1 billion more annually and over the decade there would be a total increase of $5.7 billion more in spending for land. Increases for the next decade would then proceed from a base land cost of $1.8 billion per year.

Price increases of that magnitude will have telling effects. Housing costs will continue to rise, as builders must build high priced buildings to

justify high land prices. The amount of capital required will mean that only large, well financed developers can afford to play the land development game. Power over the urban residential environment will concentrate in still fewer, stronger hands, making it still harder for municipalities to influence private residential planning decisions. Subsidies for social housing will increase, as the growth in capital cost continues to outstrip the rate of growth of incomes, particularly low incomes, and more of the subsidy will go for land costs and land profits. Low income housing sites will become even more marginal and it will be difficult to find enough sites at reasonable prices to accommodate an expanded low income housing program.

Action must be taken now to prevent land prices from doubling every ten years or so. If we could even halve the rate of growth in land prices, the savings in this decade alone to the economy and housing purchasers would be on the order of from \$1.7 billion to \$2.8 billion. The level of expenditures required to achieve those savings is not prohibitive.

PROGRAM COST

We cost the program on the assumption that it would be used primarily in metropolitan cities, that about four-fifths of all units, perhaps slightly less, would be built in those centres (or about 2 million units over the next decade), and that there would be assembled in each sufficient land to meet all the housing needs of the centres over ten years. While a ten year supply would be acquired, in any given year, it would only be necessary to market one-quarter of the city's requirements to control land prices. Because we recommend a substantial increase in the amount of social housing produced, we assume that one-half of annual requirements will be publicly developed and marketed. Development at moderate density of 10 units per acre average is assumed. That would mean that 200,000 acres of land would have to be acquired and 100,000 acres serviced, if the public were to market half the land required annually.

Servicing costs would average about \$15,000 per acre, land costs would average about \$3,000 for fringe lands, not in the immediate path of trunk services and about \$10,000 per acre for lands in the immediate path of development. (All of these national averages are inflated by high costs in the Toronto-Hamilton and Vancouver areas.)

Acquisition costs would, therefore, run from \$600 million to \$2 billion and servicing would cost \$1.5 billion. The minimum cost would be \$2.1 billion and the maximum would be \$3.5 billion. The low figure considers only the acquisition cost of fringe land, the higher one includes immediately developable land. In most cases, there would have to be added to the acquisition cost of fringe land, the expense of extending sewer and water trunks and perhaps transportation lines to open the land for development. A number of these costs are covered by existing programs and are already budgeted for, for example, under CMHC's sewage treatment program, under DREE programs for infrastructure development in the Maritimes and Quebec City or under provincial programs like the provision of trunk lines by the Ontario Water Resources Commission.

In some cases, it will clearly be undesirable to open new areas on the fringes when considerable blocks closer in are held privately, frequently by builder developers. In those cases, it will be necessary to expropriate land closer in, at higher prices.

We, therefore, put the acquisition cost at somewhere between the high and low figures, at $1.3 billion. Those costs would be incurred the first two or three years of the banking operation. Internal servicing costs of $1.5 billion would be spread fairly even over the entire decade. As a rough estimate, the total cost of $2.8 billion would be divided into loans totalling about $400 million annually in each of the first three years and then leveling off to $230 million per year.

If the lots were sold, the land assembly funding would be taken out by the building mortgages and would be repaid. To the extent that leasing was used as the disposition technique, the loan would not be repaid immediately but would probably last the life of the building mortgage. *All loans would be repaid in full*, with interest at the federal government's borrowing rate. Individual loans would not be subsidized further, although subsidies might be possible with assembly projects by using profits on some sales to reduce prices on others.

Even those cost figures are high as they contain considerable double counting. Some 20 to 25 per cent of all housing starts are presently funded by the federal government, 80 per cent of them in the metropolitan centres. We recommend elsewhere that the federal share of financing double, so that 45 per cent of starts are federally financed. Public funds used to acquire and develop lands on which publicly financed buildings will be erected will be taken out by the building mortgages on those projects. In these cases, the land development financing will simply amount to an acceleration of government lending which would have taken place in any event.

There is some danger that holders of large blocks of land would decide to sit tight and withhold them from the market, in an attempt to wait out the public program and go back to business as usual. (That was the English experience.) Acquisition and development of enough land to meet housing requirements for ten years should dissuade them from such conduct. However, if private land was withheld, government financial requirements would increase as 100 per cent of acquisitions would have to be serviced in the decade, rather than one-half. Similarly, developers might be unwilling to sell lands closer in to government agencies for banking purposes and governments might find large scale expropriations politically unpalatable.

TAXATION

To encourage large landholders to sell, taxation measures might be used in tandem with land assembly and banking. That would have the additional advantage of achieving the goal of equity by taxing windfall profits and of raising additional revenues to pay for land assembly and servicing.

Tax measures could take a variety of forms. They could consist of progressive taxes on capital gains or income from trading in land, increasing

with the size and value of the parcel and/or the length of time for which it was held. The federal government could incorporate such a tax into the Income Tax Act. The withdrawal of deductions of holding costs of vacant land from other income would speed its marketing. (It would also provide increased tax revenues with which to pay for a land banking program.) Provinces could provide for the progressive taxation of real property, again varying with the size or value of the site. Or they could impose development charges, to be levied on the acquisition of planning permission and payable on building completion, which would tax away part of the increase during the time the land was withheld.

As our recommendations are primarily to the federal government, we recommend the use of the federal Income Tax levers. Whichever method is chosen, it need not apply to the whole country or province, but could be limited to apply by regulation to high growth, high cost areas. Such a limitation might localize opposition to the new taxes.

Problems of Implementation

If a large scale program is to be mounted, the conditions under which it is to be operated should be clearly spelled out and understood. The NHA simply permits CMHC to make agreements with provinces for the acquisition and development of land and to make loans to provinces or municipalities for the acquisition and servicing of land.

The lack of legislative definition has left a great many questions unanswered, at the expense of the achievement of the program goals of price stability, equity and planning effectiveness. For example: What income groups should be served through the housing that is built? Should the land be sold or leased? Should the price be set at or below market value? Should the assembly seek to support, stabilize or depress a market? Should the assembly be only of large tracts of raw land, or of smaller parcels of centre-city land? And, a major question in the control of land prices in developing areas, should the land assembly be designed to a short period of time with a rapid turnover, or should the assembly be long term, for public land banking purposes? Answers to these questions — the de facto statement of the purpose of land assembly and banking — are to be found in the day by day administration of the program, in the decisions taken during the planning, acquisition, location, servicing, and disposition of land assemblies.

MUNICIPAL PARTICIPATION

A major issue in the planning of a land assembly project is the role to be played by the municipality. Urban planning and land use, critical elements in the land assembly decision process, are unquestionably municipal and community level responsibilities. This was recognized very early in the internal CMHC consideration of the federal role.

At the time section 40 was passed, providing for a possible federal-provincial joint venture, planning as a municipal function was barely beginning

to develop. This, coupled with the unfavourable financial requirement of 25 per cent of the cost, discouraged what municipal interest there might have been in land assembly.

The provinces (including Ontario) did not, and still do not, exhibit a sophisticated provincial planning capability. "Provincial planning" has largely been composed of provincial approval or comment on municipal planning.[14]

By contrast, urban centres across the country have concentrated a great deal of energy on developing a local planning capability. Local government structures, some multi-purpose and some special-purpose in nature, are covering increasingly large geographical areas in an effort to better control and plan for the development of the urban centre.[15]

The growing number of regional government structures and the increased concern about the nature of future urban growth have resulted in greater attention being paid to the possibilities of municipally-controlled land assembly and land banking. Although major advances have been made in municipal planning capability — thus increasing the potential for municipal participation — several obstacles remain:

1. the land area in the municipal jurisdiction — In Edmonton, for example, the land to be assembled was outside city limits and special arrangements were needed to ensure that the city could annex the land assembled. In Metropolitan Toronto the large tracts of undeveloped land are to the east and north, beyond Metro's boundaries. Unlike the Edmonton case, Ontario has strongly rejected suggestions that Metro boundaries should expand to include these undeveloped areas. In Winnipeg, on the other hand, there are large amounts of undeveloped land suitable for public assembly still within the city. In this case, provincial acquiescence on a boundary change is not needed.

2. the financing arrangements in the program — The provision of 25 per cent under section 40 and 10 per cent under section 42 is still too steep for many municipalities, particularly urban centres where the pressure on land cost is often greatest.

3. the federal regulations that prevent municipalities from financing the acquisition of urban, serviced land under the land assembly provisions. Centre city lands could only be acquired as part of a complex, comprehensive, three level urban renewal scheme, which in practice meant the assembly *and* wholesale clearance of sites, rather than spot infilling. Many in-city low income neighbourhoods might otherwise be revitalized and upgraded (often on a small scale) using public land assembly in conjunction with other low income housing programs.

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[14] Some preliminary efforts at provincial planning have been undertaken in Ontario with the identification of regional development areas and presentation of the Toronto-centred region plan. To date, however, the proposals have been quite vague and lacking in definition.

[15] For a more detailed discussion of the reorganizations, see the section on the municipal context.

LOCATION

The location of the land assembly project is important in two respects. The most obvious, perhaps, is the position of the project in terms of other more or less desirable land.[16] The relative desirability of the location affects both the cost of the land and the ease with which it can be expected to be marketed.

Land that is in an undesirable area, or away from the path of development, can usually be purchased for a lower price and be marketed with lower cost housing upon it. This became a point of conflict between the province and the city in Winnipeg. Provincial limits on land cost meant that the only land that could be acquired was in peripheral locations. Winnipeg argued strongly against such acquisitions, maintaining that low income people (particularly public housing tenants) could least afford fringe locations, removed from transit facilities and other social services.

A second important aspect of location relates to the coverage of the land assembly site. The site should be large enough so that enough lots at controlled prices (whether leased or sold) will be put on the market to significantly reduce the cost of the housing units and thus increase the supply of low-cost housing. Except for Edmonton's recent assembly, large acquisitions in major metropolitan centres had ended by 1955 when the emphasis moved toward much smaller holdings.

Servicing a relatively small public land assembly set in the heart of several private land assemblies may have the effect of opening up for development vast tracts of privately held land beyond the limits of the public land assembly. Opening such privately held land for development may have the *temporary* effect of reducing lot prices somewhat. The end result, however, will be to boost private sector activity free from public sector direction and control.

The publicly held land area will be too small to effectively control the market for several years and the low income buyer may be left behind in the rush to develop middle income housing.

SERVICING

Servicing has long been recognized as a major component of land price and an important element in determining when the land will be developed. CMHC has made little effort to prescribe either the type or the quality of services that

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[16] Public land assembly, unlike private land assembly, carries with it the possibility of extended government support for increasing the desirability of a particular location. Several factors affect the relative desirability of a piece of land: proximity to transportation facilities, sewer and water services, commercial and shopping districts, availability of social services and accessibility of recreational areas. The provision of many of these factors (either directly, in the case of transportation or water and sewer services, or indirectly, as in the case of zoning needed for commercial development) is directly within the authority of the municipal government. This contrasts with the case of the private sector where the developer-builder must rely on public sector action to increase the relative desirability of the parcel of land.

are put into a land assembly. It has, however, set the framework for which services will be eligible for inclusion in the cost of land assembly projects.

Section 42 permits the making of loans for the acquisition and servicing of land for general housing purposes. The Act does not spell out what is involved in either the development of land or the servicing of land. The Corporation, through general instruction 329, defined eligible servicing costs as including all ground services required to serve the land and a pro rata proportion of plant and trunk lines for water supply, sewage disposal and storm drainage. It might well be argued that the phrases "develop land" and "service land" in sections 40 and 42 could be taken to include the provision of necessary off-site services such as trunk sewers, water mains, etc., where the land could not be developed or serviced without them. The Corporation has, however, exercised its discretion and chosen not to interpret the section widely and, therefore, not to include those items.

Within the framework of the general instruction then, servicing has largely become a municipal matter with the province involved only where a special-purpose provincial agency exists to help underwrite the cost of servicing either through grant or loan programs. The municipality not unreasonably seeks to have the best quality servicing put in, often with over-sizing to accommodate development in adjacent lands. Recoverable costs, however, are usually only those resulting from services on the land assembly site. The more servicing costs that can be charged to the land assembly, the easier it is for the municipality to finance the development of land in the area.

A second very important element in servicing is the question of when and from whom the servicing costs charged to the land assembly will be recovered. Assuming that the costs are to be borne by incoming residents of the land assembly, the full recovery of servicing costs at the time of sale or initial lease significantly increases the lot price and, consequently, reduces the possibility of the housing being low cost. If the servicing costs are amortized over a period of years, however, the initial cost of acquiring the land (leasehold or freehold) is reduced, with a consequent increase in the possibility of low income groups being able to afford the housing.

The pattern of service cost recovery in the federal-provincial Peterborough land assembly project demonstrates both considerable awareness of the impact of repayment arrangements on sale price and a deliberate effort to increase the sale price by insisting on full recovery at time of purchase.[17]

In the early phases of the project, only 50 per cent of the servicing cost was to be recovered in the purchase price; the remaining 50 per cent was to be collected over time through a special levy. But by the third phase of the project, the planned initial recovery was increased to between 80 per cent and 85 per cent; and in the final phase, the entire servicing cost was recovered in the sale price. The obvious and immediate effect was to substantially increase the house price to the purchaser. As the purchase price increased, so of course

[17] The example is a particularly important one because of the impact of political pressure from builders in the area in the development of federal policy.

did the income levels of the group served by the project. This change (low income housing that in the end failed to serve the low income group) resulted from administrative discretion, made possible by the lack of policy guidelines.

DISPOSITION

Disposition of publicly assembled lands may take the form of leasing arrangements or resale to the private sector. To date, land assemblies have operated on the principle of resale.

A decision to resell the land as opposed to leasing it is the result of weighing two basic factors: cost, and control of the final product. The cost factor is a particularly significant one in that it relates to the actual outlay to acquire the land, as well as the impact on municipal revenues in the future. Both section 40 and section 42 rest on the assumption that the cost of the project (computed on the basis of the cost of the raw land, plus the cost of the servicing, plus carrying charges) will be recovered either from the future owners of the land, or if the land is to be leased, from the future users of the land. Though occasionally a function of ideology (public ownership of land is either good or evil in itself), the decision to lease or sell is more often based on a calculation of which method will permit the public sector to recover its cost most quickly.

Public benefits from leasing are ignored. A purchaser's benefit in buying the land is based on security of tenure, and expectation of increasing land value that will be returned to the purchaser on resale of the property. A long-term lease would provide a tenant with security of tenure and would be coupled with permission to build or develop the property. Permission to sub-lease the property would presumably carry with it an opportunity for the tenant to gain a return on his investment that improved the land, i.e. the building or development that he put upon the lot. He would not receive any benefit from any increase in land value that resulted from external conditions and was not a function of his efforts or investment. At the end of the term appreciation in land value would go to the public. Such long term benefits are appreciated by financial institutions which are happy to finance commercial developments by way of sale and leaseback, but are not yet considered by our housing policies.

In addition to controlling speculative increases in land price, a leasing arrangement that leaves title of the land with the public sector would permit far better control of land use.

Land use planning has long been recognized as a reactive rather than an initiative public sector function. Government may place restrictions on the use of privately held land, thus affecting the land use through a series of negative inputs, but it cannot ensure that it will get what it wants, where it wants, when it wants it, on the initiative of the private sector. When the land is publicly held, government is in a much better position to ensure the achievement of its land use objectives. In addition to having control over the land use for the initial leasing, the public sector will be able to act upon shifting land use priorities that arise from area needs that are not foreseen at the time of the

initial leasing but will show themselves within the fifty year lease period.

The benefits of leasing were clearly understood by the Hellyer Task Force which recommended:[18]

> In case of industrial, commercial or multiple-unit developments, municipalities or regional governments might wish to lease land rather than actually sell it. As well as the long term planning benefits possible under a leasing approach, such a system also would help ensure that some of the socially-created increment in land values accrued to the community at large through the terms of leases.

No action was taken on that recommendation.

Land assembly projects have commonly carried sale provisions for the disposition of the land. This appears to result from a commonly held belief that land assembly is designed to facilitate the provision of lower cost purchase housing. How low cost should the housing be? In the case of the Peterborough land assembly project, the Partnership issued a press release which stated.

> The purpose of the Federal-Provincial land assembly is to provide residential lots priced low enough to be within the pocket of the "man in the street".

But what constitutes a "man in the street" price? Does it, for example, include a mark-up by a speculative developer who may purchase several lots of a land assembly project and, in turn, resell the individual houses to individual purchasers? The same press release from the Peterborough land assembly project went on to note:

> Generally lots are to be sold to individual homeowners at cost. However, the present policy also provides that where there is little demand from the individual homeowners, they may be sold to builders.

The actual disposition of lots in the Peterborough land assembly project (a disposition process not unique to Peterborough) provides considerable insight into the federal government's understanding of the purpose and objective of land assembly, as seen in routine administrative decisions.

While the disposition arrangements were originally geared toward individual sales, the partnership quickly turned toward bulk sales to speculative builders. The lack of a stated waiting period during which sales are to be made only to private individuals left CMHC open to considerable pressure from the developer lobby to release the lands for bulk purchase at a very early date. Presumably, lots are sold to speculative builders only after the demand from individual buyers has been satisfied.

In Peterborough, however, the shift to sales to speculative builders occurred within two weeks of the opening of the second phase of the project. (Sales to individual buyers can hardly have been going slowly, since people had been lining up overnight to purchase lots.) Due to the predictable increase in purchase price that resulted from resale by the developer, the houses were bought by middle rather than low income people. What had started as a process

[18] *Task Force on Housing and Urban Development. op. cit.*, p. 43.

for lower middle income housing was being shifted upward. By the third phase of the project, 61 per cent of the lots were sold to speculative builders rather than individuals.

By the fourth phase of the project all the lots were sold at market value and a previous clause that to some extent limited the builder's resale price on the lots was lifted. The combination of the market value purchase price, lifting the limit on the resale price, and the large percentage of lots sold to builders rather than individuals, resulted in a deliberate retreat from a position of controlling the market by selling well under market value to one of supporting and bolstering the market. In short, an *administrative* decision was taken not to serve low income groups through land assembly.

In recognition of this problem, the Minister has attempted to reverse this practice by intervening in two disposition decisions: Malvern and the Blair Rifle Range. In Malvern the Minister has stated clearly that the land is to include low income housing and that the continuing negotiations between the Federal-Provincial Partnership and the Borough of Scarborough (where Malvern is located) must take this into account. In this case, however, the delineation of client group came long after the actual assembly (which occurred in 1953) but still prior to any development on the land.

The Blair Rifle Range is discussed in further detail below. In this case the Minister indicated that the land, if acquired under the land assembly provisions, would include low income housing. The statement appears to have discouraged the municipality that was interested in marketing the land for middle income housing.

Land Assembly Activity in Major Centres

Close to two million housing units will be built in metropolitan centres in the next decade. If the pattern of the last decade holds, 50 to 60 per cent of those units will be built in three major cities. This section canvasses the program experience in several metropolitan centres, and the difficulty of undertaking meaningful programs in the three largest.

EDMONTON

Serviced lot prices in Edmonton had more than doubled from 1964 to 1969. The municipal administration was extremely concerned about the impact of increased land prices on the city's growth. The city turned to the alternative of a major land assembly and developed a plan to acquire a site of some seven square miles on the south-east edge of the city outside the city limits.

The plan was then taken to the province to seek provincial participation in financing and acquisition of the lands. The province agreed to assist in both these capacities and acting through two firms of lawyers, optioned the lands before any approach was made to CMHC for funding under section 42. The unusual procedure of contacting CMHC only after the lands were optioned has been explained as part of an effort to maintain secrecy regarding provincial intentions — thus preventing possible leaks to speculative builders who might

then buy into the area and significantly increase acquisition costs to the province. The province was apparently successful as average acquisition costs were approximately $2,000 per acre.

Although the province held title to the land as a result of being responsible for the acquisition, it agreed to sell the land to the city over a fifteen year period. The city will do the servicing and draw the general plan for the area, reserving at least .5 per cent for public housing.

It is anticipated that it will take approximately twenty years to market all the land in the subdivision; the first lots are expected to be marketed in 1972. The city will, however, be able in any given year to flood the market with lots and is therefore in a position to control the price of residential land in the city. Following the precedent set by other land assemblies in the past, the intention is to sell the land rather than lease it. Also, while lots are to be made available first to individual purchasers, they will also be available to smaller builders; after satisfying the demand in these two categories, the rest will go to developers. Present plans call for a maximum selling price to be set on all houses to be built on the lots to control both the profits taken and the income group to be served by the housing.

The assembly will result in a change in the direction of Edmonton's growth. Previously, the city had developed in a south-west, north-east direction along the path of the river. All the land in the path of that previous development pattern, however, was owned by a small group of developers and the change in direction was necessary in order to break the developers' hold on the market. The change will, however, necessitate the installation of trunk sewers and service roads to open up the area assembled. Those services will be charged partly against the new development and partly against areas closer in to the city-centre which are adjacent to the new services being laid.

The acquisition appears to have had a stabilizing effect on land prices in the city. Present marketing plans suggest that lots will be sold for between $4,500 and 5,000. This is approximately $2,500 below even the cheapest lots available from private developers. As a result of the announcement of the assembly and the intended sale price, some developers have already begun to lower their sale prices. Yet even with the low sale price proposed for lots in the land assembly project, the city will be making a small profit on its development operation. The profit will be used to fund further land banking operations.

REGINA

Land assembly has also been put to considerable use in the province of Saskatchewan. In Saskatoon the city is the major land developer and has had two large assembly projects under the National Housing Act. Land assembly in Regina has been brought about by a combination of a small land assembly under the federal legislation and the acquisition of considerable land as a result of tax defaults in the past. The publicly held lands have been used as a bank for residential development. For the past two years, the city has had a low cost lot policy intended to serve moderate income families. The result has been a stabilization of lot prices.

Now, however, the city is running out of land suitable for immediate development. Its supply, given the present rate of marketing, will last perhaps another year or two. The land acquired under section 40, while included in the city's projections of publicly held land that will be available in the future, is almost five years from development. The success the city has enjoyed in stabilizing lot prices has led municipal officials to explore the possibility of obtaining federal financing for another, larger, land assembly whose location would permit almost immediate development.

WINNIPEG

There have been no public land assemblies in the city of Winnipeg. Previous provincial governments were content to rely upon private enterprise to provide serviced land. The present government, in 1971 requested a $6,000,000 allocation for land acquisition and assembly purposes. To October, 1971, the province has approved assemblies totalling a value of nearly $1.5 million, many of which are in the Winnipeg area. Most of the immediately developable sites are held by builders. The province had imposed a limit of $1,000 per unit on public housing land costs. This meant that the only land Winnipeg could afford to acquire was cheap, peripheral land. Metropolitan planning officials, however, have been strongly opposed to peripheral locations for public housing, since such locations are frequently lacking in adequate transportation facilities and other support services. As a result of the Metropolitan opposition, no activity had taken place. The province subsequently increased the permitted land cost and acquisitions are now underway.

In addition to acquisitions strictly for public housing purposes (for which the fund was originally set up), the province is considering large scale assemblies to control market price, as was done in Edmonton. A significant difference exists here, however, because the province wishes to proceed by way of lease rather than sale of the land acquired. As a result of federal regulations, the province, if it stands firm on the matter of leasing, will be forced to use provincial rather than federal funds.

VANCOUVER

The city of North Vancouver recently requested a Federal-Provincial Partnership acquisition of a 640 acre site known as the Blair Rifle Range, when it learned that the range was to be disposed of by the Department of National Defence.

The purpose of that assembly was not to control the rapidly escalating land prices in Vancouver but to increase the profits made by the municipality of North Vancouver, which has in the past marketed its own land in the same way as a private land developer. The city then applies the profits earned by the land marketing operation to restrain the rise in property taxes in the municipality which would otherwise result. The motive for the public assembly, then, was to increase the bank of land owned by the city to enable it to continue its land marketing operations, and, simultaneously, to prevent the land from being acquired by private developers whose marketing operations might well interfere with the city's.

After the loan commitment was made, however, the federal Minister came under strong pressure from interested citizen groups in the Vancouver area to ensure that the land was used for low and moderate cost housing. Both the federal and provincial Ministers have given public undertakings that the land will be used for those purposes. As a result, the municipality seems to be back-pedalling and trying to delay the development of the land. The city commissioned a consultant study which reported that only a very limited part of the land could be used for residential purposes. Discussions of that study have blocked project development to date.

The city of Vancouver also relies on land development for revenue purposes. It has recently developed an eight square mile subdivision known as Champlain Heights. The city successfully resisted requests that lots be sold at below market prices, on the basis that the profits from the development of the subdivision were required to pay for capital works planned and budgeted over the next five years. Municipal land assembly in the Vancouver area therefore does not appear to hold much promise for the provision of low income housing.

The Greater Vancouver Regional District Board has recently been given the function of planning and building public housing, and has also been given the power to acquire land for public housing purposes. Because the Board was not given the power to acquire and develop land for general purposes, it is at present unable to carry out a large assembly function. The province has moved slowly in increasing the Board's authority, awaiting a consensus from local municipalities before acting. Additional pressure from area municipalities would clearly be required to encourage the province to delegate that kind of authority to GVRD.

The Province itself does not have the personnel to carry out the program. It has no housing corporation. Given its close working relationship with CMHC, it might rely on the federal corporation to act as its agent in carrying out the program. Municipal cooperation would still be required, unless the province were prepared to override municipal planning controls. In the province with the strongest tradition of local autonomy of any in the country, this is unlikely.

It appears that, in order to obtain municipal cooperation, some redress for their complaints to the province respecting revenue sources would be necessary. Perhaps federal funding for land assembly, relieving the burden of servicing costs would be sufficient. In all likelihood, further relief, by way of provincial assumption of obligation for the provision of some off-site services, will be required.

TORONTO

There have been no assemblies in the Metropolitan Toronto area since the mid-1950's, despite the fact that land prices are highest and have the greatest impact on total housing cost there. One of the major assemblies of that period is just now being developed, having bogged down in intergovernmental disputes. The province has passed up two key opportunities to recapture some of the profits created by public activity: in 1958 the Ontario Water

Resources Commission ran a trunk line up the west side of Metro, opening the area around Brampton for development; in 1969 Design for Development, a growth plan for the Metro Area, was adopted by the province, channeling growth in the region. In neither case was land publicly assembled in areas ripe for development in advance of the announcement of the decision. That has rendered assembly around Metropolitan Toronto much more difficult at this time.

The provincial government announced in February that it will expropriate 25,000 acres of land in Pickering and Markham Townships as a townsite to serve the second international airport planned for the area. Land costs are expected to be $3,000 per acre. The town is expected to house 150,000 to 200,000 people, which probably means 50,000 to 60,000 dwellings. No indication has been given of the manner in which the land will be developed and sold. With low acquisition costs, reasonably short holding periods, and economics of scale in servicing, the province should be able to dispose of the land at substantially below market. With several similar large assemblies, it might be possible to stabilize land prices in the area.

As matters presently stand, it would be virtually impossible for the municipality of Metropolitan Toronto to acquire and develop the necessary land. There is not available, with its limits, a sufficient supply of undeveloped land. It has pressed the province for the last several years to allow it to annex part of Pickering Township so that it may extend services to it. The province has refused. It has circled Metro Toronto with three regional governments, in an attempt to restrict its growth and political power. If the area of Metro Toronto is not extended, then any assembly and development scheme will have to be carried out by the province.

MONTREAL

No land banking or land assembly activity has been carried out in the province of Quebec to date. The reasons for the lack of activity are unclear at this time, particularly in view of the strong support for land banking recommended by the Le Haye Commission report and the substantial interest shown by the province in the form of the 1969 amendments expanding section 42.

It will be difficult to convince people that public land assembly is necessary in Montreal. Individual lot prices, at $2,200, are about one-fifth the Toronto level and one-third the Vancouver level. Land is plentiful within the metropolitan area.

The position has been arrived at considerable social cost. Developers are permitted to market land before the necessary services are installed. Services are still provided by the municipality and charged to the properties as special improvement levies and to the entire tax base. As a result, a number of Quebec municipalities are in desperate financial straits with the highest debt to revenue ratios in the country. Servicing is not keeping up with development. Federal studies estimate that the cost, over the next ten years, of rescuing the St. Lawrence from its polluted state will run from $300 to $400 million.

If municipalities react to their financial and environmental problems by

transferring responsibility for servicing to private developers as they have done in other provinces, then the ready supply will tighten up and prices will rise quickly. If they do not, housing consumers will be getting an inferior living environment. Both for reasons of price stabilization and of improved planning, public assembly is likely to be needed in Montreal in the near future. We can only hope that local officials will recognize the need.

HALIFAX

As in Edmonton, land assembly in Halifax has tended to be initiated by the municipality. The most recent application concerned the possibility of an assembly in the Kidston Lake area. Although Halifax has not experienced the intensive growth pressures that have been in operation in other centres and have caused sharp rises in land cost, land prices in Halifax are very high for the area. This is largely a result of restricted servicing and poor soil conditions for building. The cost of most of the housing constructed is well beyond the reach of even moderate — let alone low income — families.

When Halifax applied to the province for acquisition of the lands in the Kidston Lake area, the province suggested that the lands be acquired by the province and developed jointly by the province and the city. Given the scarcity of municipal revenues in Halifax, the city did not feel it could make a substantial contribution to the total outlay of about $6,000,000 to $7,000,000 that would be required.

In June of 1969, CMHC granted approval to the province to investigate land assembly in the area under section 40, with CMHC paying for 75 per cent of the cost of investigation. Then the see-saw began. Several months later, the province, having decided to expropriate rather than purchase the land, requested that the assembly proceed under section 42 rather than section 40, presumably because the province would have greater freedom of action (as borrower rather than junior partner) in proceeding with its expropriation intentions. The Nova Scotia Housing Commission then filed expropriation papers without consulting CMHC or the provincial planner. CMHC reaction was not favourable:[19]

> In the present seemingly total lack of substantiating evidence, the acquisition of the land can only be judged as premature and speculative . . . This Section 42 land assembly application is another of a series wherein the Corporation is placed in a position of giving respectability to decisions already taken without supporting technical advice. The task of rationalizing the proposals follows acquisition and committal to a site. This does not appear to be in accord with current government thinking on the development of urban areas.
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> In the present case the provincial cabinet has approved the land assembly and expropriation proceedings have begun. Nothing would be achieved for the Corporation to withhold its support at this stage, but it should be stressed that if the Corporation is to have a continuing role in the expansion of major metropolitan areas, it is essential that a procedure be formulated which will not permit the present situation

[19] *CMHC Memorandum*, September 9, 1970.

> to re-occur. A clear indication should be given to the Province that further assistance by the Corporation will only be given when the development proposals are fully supported by all the studies presently being undertaken.

Then, in January 1971, the province requested that the loan revert to section 40, because of concern that it did not have the expertise and capability to do the planning for the assembly without federal participation. CMHC warned that the cancellation of the 42 loan and its replacement under 40 would reduce the funds available under that section for 1971 for the entire province of Nova Scotia. Because the decision to expropriate had been taken, however, the province was committed to the land assembly, with or without federal participation.

These problems aside, during the last nine months CMHC has become increasingly worried about the difficulties in the development of the site, which has extremely poor soil conditions, and about the absence of a regional plan which would provide a context for the development.[20]

> Any attempt to develop the Kidston Lake lands before some positive development guide in the form of a metro master plan would be unwise and premature. The area is fully dependent on construction of major services. The location of collector roads, trunk sewers and open space areas is essential before any further thinking proceeds.

Terms of reference for a consultant were drawn up which required that consideration be given to various metropolitan planning proposals. At the same time, CMHC Head Office began to consider other land known as the "Rifle Range" which it felt might be preferred, as it was more suited to immediate development. An examination of the Kidston Lake lands, however, continued:[21]

> I believe it is fair to say that the viability of this project over the short term depends to a large degree on the provision of a northwest arm bridge, a new water supply system, sewage disposal facilities and perhaps some infrastructure costs such as schools, etc. If this is so, then it is unlikely that this particular project can get off the ground over the short term unless DREE are prepared to step in and assist.

According to DREE, however, provincial officials appear to be placing more emphasis on the development of the Rifle Range than on that of Kidston Lake. The province was apparently concerned that the Kidston Lake project would trigger a whole series of developments and requirements which would have serious monetary implications for both the province and DREE. The Rifle Range project appeared preferable because the servicing problems were less significant from a financial point of view. To date, no decision has been taken.

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[20] *CMHC Memorandum*, January 13, 1971.
[21] *CMHC Memorandum*, May 7, 1971.

Program Recommendations

While the importance of a major municipal role has been recognized, program regulations continue to provide an unfavourable atmosphere for municipal participation. The financial terms and partnership arrangements stress provincial, rather than municipal participation. No federal effort has been made to ease the financial strain for participant municipalities; what easing there is results from provincial participation which inevitably carries provincial desire for increased control of decisions. Similarly, there has been no federal effort to encourage the provinces to delegate their decision authority to the municipal level, especially when dealing with major urban centres that clearly have the ability to assume such responsibility.

Major urban centres have developed the planning skills necessary to undertake land assembly. In all major centres there is some form of regional government and/or regional planning agency capable of developing regional development plans against which land assembly proposals may be viewed. Resistance to municipal assumption of authority in land assembly (especially in major urban centres) cannot be justified by the suggestion that the provinces possess the superior planning skills.

The major initiatives for land assembly have come from the municipalities. Because of the financial arrangements, however, municipalities have often had to act through the provinces. Except for Ontario (where OHC has undertaken assemblies that even the recipient municipality was not consulted on), the impetus for land assembly activity has come from the municipal level.

Federal concerns in the land assembly program have worked to the disadvantage of the low income group. Concern regarding program cost and a desire to support the private market have resulted in deliberate attempts to discourage land banking (to control land costs over the long term) and major land assemblies to flood the market with lots. Until the recent ministerial intervention in Malvern and the Blair Rifle Range, marketing arrangements for the land assembled resulted in prices that, at best, were only slightly below market value and housing that was largely geared to the lower middle income rather than the low income. Although initially the resistance to adapting the program to the needs of the low income group came from CMHC, in recent years the major obstacle appears to be the Department of Finance.

The review of land assembly legislation, regulations, and implementation has revealed a tremendous administrative latitude left to CMHC. The legislation permits the Federal-Provincial Partnership to acquire and develop land and permits CMHC to make loans for the acquisition and servicing of land for housing.

The purposes of the provisions are not spelled out. Among the possible uses to which the provisions might be put are: acquisition of land to be re-leased in order to further public planning controls; acquisition of a pool of lots to be marketed quickly at below market prices to stabilize or reduce land prices; acquisition of satisfactory land for the provision of low income housing; acquisition of land for demonstration projects (mixed use subdivisions, planned unit

developments, etc.); acquisition of land for new towns; acquisition of land for transportation corridors; the acquisition of central city building sites, developed or undeveloped, within or outside of urban renewal areas.

Administrative discretion has been exercised to prohibit the use of the legislation for long-term public control or inner-city acquisitions. That decision properly belongs to the legislature. The statute should be amended to expressly set out the purposes for which it is to be used. This report recommends that all of the above uses be authorized and that the authorization be made in separate sections or sub-sections so that the purpose for which funds are allocated or loaned is clear and administrators can be held accountable for their use for that purpose.

The partnership provisions permit the acquisition and development of land. The loan provisions permit loans for public or general housing purposes, for a period not to exceed fifteen years. Land banking and leasing is thus possible under the partnership provisions but not under the loan section. If land banking is to be permitted, the revised legislation will have to authorize long-term funding, whatever mechanism is chosen.

Similarly, the lending provisions require that the funds be used for public or general housing purposes. This has been interpreted to require a predominantly housing concept rather than mixed use. The partnership provisions could include far more commercial or industrial developments. Again, whatever mechanism is chosen, the legislation should permit balanced and integrated development and not merely housing.

CMHC general instructions require that the land to be acquired must be raw land. That effectively stops the use of the section for the acquisition of existing rundown properties for redevelopment (without area designation under section 23) and of derelict vacant lots for infilling. It similarly prevents the acquisition of air space over existing buildings for further development and of easements to restrict changes in land use from those existing. Again, this report recommends that the legislation be clarified to expressly permit its use for each of those purposes.

The statute speaks of the development of land and the servicing of land. No attempt is made to define the meaning of those terms. It is left to the Corporation to determine whether loans can be made for off-site services and the type of on-site services which can be financed. We recommend that the legislation be amended to explicitly define the range of services to be financed, to permit the financing of off-site trunk services, etc., where the land could not otherwise be developed or serviced, and to include within the on-site services all those which would normally be required of a private developer.

Because the purpose for which the sections are to be used is not elaborated upon, no criteria for funding specific projects are established. For example, if land banking under section 40 were contemplated, it could be carried out in spite of the absence of any proper plan for the area. We recommend that it be a requirement of the funding of land banking operations in suburban areas and on the fringes of metropolitan regions and/or existing municipalities that there be a regional plan for the area concerned, prepared

either by the provincial or municipal government concerned. Where inner-city acquisitions are contemplated, it should be a similar requirement that a development plan for the area be in existence.

While in most parts of the country the initiative for land assemblies has come from the municipal level, the present provisions requiring a 10 per cent equity have the effect of leaving the municipality dependent upon the province for funding and, therefore, for approval. The equity provisions do not have the normal effect of an equity requirement — compelling the borrower to prove his willingness to undertake the risk. Rather, they have the effect of bringing the province into the picture, and, in some cases, unduly complicating negotiations by requiring three level participation.

Increased funding to 100 per cent of cost will not increase the lender's risk greatly. The municipality is usually in a position to shape the path of growth and development to insure that its land is, in fact, built upon. In the long run, no investment in land immediately contiguous to a major urban centre is likely to lose money.

The land assembly program would be implemented in much the same way as the social housing programs. That is, the federal government would be prepared to block-lend to those provinces which had the machinery and capability to implement their own programs, and would lend directly to municipalities in those which did not.

Five year lending commitments to provinces and municipalities which intended to undertake land banking programs would be required, conditional on them fulfilling their own program goals. Lending ratios similar to those established for public housing would apply (two-thirds where the province would own and control the land banking program and 100 per cent where there was municipal control).

In some areas the municipality may wish to bank land, but be unable to do so within its own borders. The municipality would then have to ask the province to acquire the land for it, allow it to annex that area, and transfer the land to it. In that case, the federal government should be prepared to fund at the 100 per cent level. Where neither the province nor municipality has the capability, it may be necessary for the federal government to carry out the function.

Chapter 10

Towards a Comprehensive Housing Policy

The evidence in Chapters 2 and 3 of this report makes it clear that in terms of housing price and quality, neighbourhood services and tenurial rights, it is the poor and moderate income households who bear the brunt of our haphazard system for providing housing. For twenty years after World War II, Canada relied entirely on an assisted free market to produce a housing supply sufficient to accommodate all households. The income group the new housing was built for did not matter since the housing would filter down from the top to the bottom to fit the needs of those unfortunate enough to find themselves there.

While the quality of low income housing improved somewhat, the improvement was not as great as that experienced by the average household. Their aspirations, like those of all Canadians, continued to rise. Meanwhile, shelter expenditures, at least in large urban centres, consumed an ever increasing share of household income.

In the middle 1960's Canada discovered (shortly after its neighbour to the south) that it had a poverty problem. The social housing programs, which had existed on paper for twenty years, finally received some real funding. Unfortunately, they had to operate in the same context which for twenty years had led to an inability to even recognize the possibility that the poor had a housing problem. The market was doing an efficient job of producing and distributing housing. There were a few at the bottom with low incomes who could not afford decent housing. To assist them, unusual measures of governmental intervention were required. Apart from that, efficient market operations were not to be tampered or interfered with in any way.

Relying on the market to set the nation's housing goals, with governments intervening only to help those who are not strong enough to help themselves, has relegated social housing programs to a second class status. That status is responsible for the defects described in the program reviews. Poor locations, poor designs, inadequate facilities, insensitive management, discrimination against problem families, all result from an attempt to engraft social housing programs on a profit-making production-oriented market mechanism in which the producers conceive of housing as an artifact to be produced rather than a service to be rendered.

Canada must abandon the myth of the market place as *the* efficient medium for the distribution of society's resources. As one American commentator observed:[1]

> Although the market distribution of resources is often pointed to as if it had some special normative position, market resource distributions have no prior validity. The axioms of market economics state that they can efficiently produce and distribute goods and services *if the economy starts with society's desired distribution of resources.* Market economies do not necessarily create this distribution and they will not necessarily regenerate it once created. At each period of time, society must alter the market distribution of resources or certify that the market distribution is, in fact, its desired distribution. Just as an "efficient" street sweeper is ultimately inefficient if it is always sweeping the wrong streets, so is an "efficient" market economy ultimately inefficient if it is always responding to the wrong set of weighted preferences. In the course of collecting taxes and designing expenditure programs, governments are continually in the business of altering the distribution of resources or certifying the existing market distribution of resources . . .
>
> Society's equitable distribution of income is ultimately determined by the collective value judgments that are expressed in the political process. In many senses the major economic function of government is to determine what constitutes equity in the distribution of goods and services. Collectively, we must determine the degree of equality that will produce an equitable society. There is no reason, however, why our tastes for equality or inequality must be the same for every good and service. We may wish to see one good more equally distributed than another. This is, in fact, one of the major arguments for government housing programs. If we were only interested in the general distribution of resources, governments should create an equitable distribution of resources through their tax programs and their income maintenance programs, but *should not* have special programs for housing, medical care, and education. If these goods are to be more equally (or unequally) distributed than general goods, then special government programs are necessary. Tax and income maintenance programs are used to achieve the desired degree of equality in the general distribution of resources and specific government programs in housing, medical care, and education are used to achieve the desired degree of equality in each of these fields.

The basic value judgments about what constitutes the equitable distribution of society's housing resources must be made before the market functions are called in to play. We must establish the goals of our housing policies. We can then analyse the present situation and the action which must be taken to meet them.

This is not the first Canadian study to point out that the nation's housing objectives must be clear and explicit. In 1964, the authors of *Good Housing for Canadians* noted:[2]

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[1] Lester C. Thurow, "Goals of a Housing Program," in *Papers Submitted to the Subcommittee on Housing,* House Committee on Banking and Currency (Washington: GPO, 1971), pp. 441-2.

[2] *Good Housing For Canadians,* The Ontario Association of Housing Authorities (Toronto: 1964), pp. 103-4.

> Unlike its American counterpart, the Canadian Federal Government has never spelled out in either an inspirational or definitive fashion, a national housing objective — nor is an objective enunciated in the National Housing Act other than in a rather bleak descriptive passage indicating an intention to promote the construction and repair of houses and to improve housing and living conditions. There is ample argument for a clear statement of a housing objective if only because when government intervenes, as it reasonably must in housing, it should not do so for unstated purposes or for purposes that are so loosely defined as to preclude any legitimate assessment of the success or failure of the policy. In the words of one critic:
>
> > "Government cannot be responsible if it is not accountable, and it cannot be accountable if its purposes are not stated."
>
> What might be proposed as a satisfactory formulation of a Canadian housing objective? This Study proposes the following:
>
> > Good housing for all accomplished by a policy responsive to Canadian social characteristics, objectives and concepts, properly related to the evolving structure and powers of government and legislation; achieved at manageable cost and providing decent accommodation in a satisfactory environment for every Canadian.

Not in disagreement, but as a further refinement of that statement we suggest the following statement of national housing goals:

(1) providing equal access to decent housing for all Canadians;

(2) controlling housing price inflation;

(3) improving the environmental quality of all housing;

(4) conserving and upgrading the existing housing stock;

(5) maximizing the dignity and freedom of choice of the individual user of housing;

(6) creating a decision making process that is open to user input and whose centre of authority is as close to the user as possible.

Talking in terms of a goal of enough decent housing for all Canadians masks the many-faceted nature of the low income housing problem. Access, price, quality, tenurial rights and democratic rights of participation can all be dealt with in a number of different ways. Each issue must be clearly and separately identified and a decision taken on the policy level most appropriate for dealing with it. Trade-offs between policies can then be made. Defining goals in terms of total production levels solves problems by ignoring them.

Income Redistribution

To state the obvious, the primary cause of the housing difficulties of low income households is low incomes. The structure of income distribution has remained unchanged in Canada for at least the last two decades, notwithstanding the variety of government activities aimed at income redistribution.

This study has documented the impact of the uneven distribution of incomes and housing price inflation on the shelter expenditure burden of the

Table 1

QUINTILE DISTRIBUTION OF INCOMES, CURRENT DOLLARS, CANADA — 1951, 1954, 1957, 1959, 1961, 1965, 1967

Families and Unattached Individuals

	Quintiles				
	First	*Second*	*Third*	*Fourth*	*Fifth*
Shares of Total Income					
1951	4.4%	11.2%	18.3%	23.3%	42.8%
1954	4.4	12.0	17.8	24.0	41.8
1957	4.2	11.9	18.0	24.5	41.4
1959	4.4	11.9	18.0	24.1	41.6
1961	4.2	11.9	18.3	24.5	41.1
1965	4.6	11.9	18.0	24.4	41.1
1967	4.3	11.6	17.9	24.6	41.5
Upper Limit of Income for Quintile					
1951	$1,260	$2,310	$3,180	$4,320	n.a.
1954	1,500	2.740	3,740	5,120	"
1957	1,650	3,040	4,200	5,870	"
1959	1,810	3,310	4,510	6,130	"
1961	1,930	3,586	4,950	6,630	"
1965	2,501	4,420	6,102	8,395	"
1967	2,592	4,824	6,807	9,468	"

Families of 2 or More Persons

Year	*Lowest fifth*	*Second fifth*	*Middle fifth*	*Fourth fifth*	*Highest fifth*	*Total*
1951	6.1%	12.9%	17.4%	22.4%	41.1%	100.0%
1954	6.5	13.5	18.1	24.4	37.5	100.0
1957	6.3	13.1	18.1	23.4	·39.1	100.0
1959	6.8	13.4	17.8	23.0	39.0	100.0
1961	6.6	13.5	18.3	23.4	38.4	100.0
1965	6.6	13.3	18.0	23.5	38.6	100.0
1967	6.8	13.3	17.9	23.5	38.5	100.0
Upper limits						*Average $*
1951	$1,820	$2,700	$3,480	$4,640	n.a.	3,535
1954	2,220	3,240	4,150	5,680	"	4,143
1957	2,380	3,600	4,680	6,350	"	6,644
1959	2,650	3,920	5,000	6,690	"	4,968
1961	2,800	4,270	5,460	7,180	"	5,317
1965	3,500	5,250	6,810	9,030	"	6,669
1967	4,090	6,060	7,930	10,650	"	7,756

SOURCES: DBS Cat. 13-529, *Income Distributions* (Ottawa: DBS, 1969), p. 78, and Consumer Finance Division, DBS.

poor. If the gap between their ability to pay and the cost of housing is to be reduced substantially we will have to both redistribute incomes and slow down that inflation. We could, of course, simply redistribute income and not worry about increasing costs, but that would result in the need for further redistribution, with an increasing share of the transfer going to the producers of housing.

Direct redistribution of income for housing assistance purposes takes one of two forms: (a) production and operation subsidies, aimed at reducing the cost of providing housing, or (b) income supplements in the form of shelter allowances, rebates, etc., paid directly to households, or to landlords on their behalf.

BUILDING SUBSIDIES

Of the building related subsidies, production subsidies in the form of lower interest rates and capital grants have been most frequently used in European countries and the U.S. They have the advantage for governments of clearly delineating and fixing in advance the amount of the subsidy. Canada is one of the few countries which has subsidized operating losses. While that leaves the amount of operating losses uncertain, it ensures that the program will serve the low income group. If operating costs escalate rapidly, the use of capital grants or interest rate subsidies results in either a cutback of maintenance and building services or a need to increase revenues and therefore seek out higher income residents.

Most of the West European countries have shifted in the last twenty years from building subsidies to personal income supplements. West Germany, France, Sweden, Denmark, Switzerland, Norway and Austria all utilize some form of shelter allowance. Holland and the U.K. are in the process of moving in that direction. They have shifted from production subsidies to personal consumption ones because of the high cost of subsidizing new production and the resulting inequitable distribution of subsidies.

We are faced with the same problems. As of the end of 1970, average annual public housing subsidies per unit were about $1,000. There are 1.2 million low income households paying in excess of 20 per cent of income for shelter. There are at least 100,000 seriously crowded households. There are 500,000 to 1,000,000 households in units requiring substantial repairs, most of them low income. There is undoubtedly some overlap between the three categories. 200,000 more units would be needed to deal with the housing expenditure problems of third quintile families with children. If new, subsidized units were to be built for all of them, somewhere in the neighbourhood of two million dwellings would be required. That is, one new unit would be required for almost every low income household.

If we could build all the units needed to house families with housing problems in one year (without driving up the cost of the housing by the tremendous demand on construction resources), the cost of subsidizing then would be at least 2 billion dollars. In fact, we cannot build them in one year. 2.5 million units will likely be the total built over the next 10 years. If 80 per cent were public housing units and if our conservative estimates of the rate of increase of subsidy levels were adopted, the subsidy bill by 1981 would be 5 billion dollars for 2 million units at $2,500 per unit.

A political decision to build 80 per cent of new housing for the low income group would never be taken. It may, however, be politically possible for governments to decide that 40 per cent of all new construction will go to

the bottom 40 per cent of the income band. That would mean producing one million units for that group, over ten years, with an annual subsidy level of 2.5 billion dollars in 1981. One million units would have been produced for the 2 million eligible households in 1971. But total households would have increased by 2 million and low income households (defined as the bottom 40 per cent in income) by 800,000. Total production would have barely kept up with the increased need, with little impact on the backlog. The problem of allocating 1 million units among 3.2 million households, in an equitable fashion, would remain.

Also remaining would be the problem of stigma. The only remedy for that is to house low and middle income people in the same housing, so that the service is not stigmatized. To the one million units produced for the low income group, there would have to be added another 500,000 at least, for the middle income group in the same projects. Those units would not require subsidies but would have to be included in the capital cost of the housing to be built.

There are other problems besides the inability to serve all households who need financial assistance and the high cost of payments to those served. Foremost among them is the restriction of individual freedom created by project subsidies. The individual householder can only choose between market housing beyond his means and assisted housing. The latter may be poorly located and designed or badly managed, but the resident cannot move and take his assistance with him. He leaves at a substantial financial sacrifice. In the absence of consumer choice, housing supply and operation decisions can be disciplined only by political processes.

Attaching subsidies to units affects the distribution of those transfers. Limits are placed on the number of welfare or problem families in projects, to avoid a ghetto image. While desirable from that point of view, they impede maximum assistance to those with the greatest need.

Geographical distribution is also affected. High growth areas are seen to need more new production. That has resulted in 77 per cent of subsidized units going into metropolitan centres with only 50 per cent of all households. Over the next decade, a greater proportion of new stock produced will be required in metropolitan centres than ever before. It will become even more difficult to justify the production of new units in smaller centres with slower growth rates. Similarly, residence in a particular province affects the household's chances of acquiring assistance. Ontario has obtained and continues to get the lion's share of the funds. In part, this may be because it can best afford cost-shared programs. But provincial attitudes are also a factor. Concern has never been as great in other "have" provinces like Alberta and British Columbia. Federal-provincial relations prevented any production in Quebec for fifteen years.

Municipal attitudes also affect the location of assisted dwellings. Some municipalities refuse to have any. Their residents must go elsewhere to obtain assistance. Municipal zoning regulations may also affect the form of the units which can be produced, thereby restricting the range of types from which a choice can be made.

Production subsidies dictate fringe suburban locations, as most of the land for new production is located there. At least in the early years of a project's life, this means that, unless the project is a very large one, community services and facilities will be inadequate. Housing is frequently distant from both shopping and employment. Public transportation is poorest in fringe areas and wives are frequently trapped at home as husbands must drive to work.

Production subsidies also lead to pressures to hold costs down to restrain subsidy increases. In the public housing program those pressures have at various times led to the use of marginal sites (as well as fringe locations) abutting expressways and rail lines, poor quality construction, emphasis on higher densities and smaller unit sizes, and the omission of recreational facilities.

Many of these difficulties could be dealt with if building subsidies were attached to existing units rather than new production. Per unit subsidy costs would be lower. Distribution of subsidy funds could therefore be broader. Assistance could be provided in rural areas and smaller urban centres in which little new production was required. Locations in metropolitan centres could be in existing neighbourhoods, rather than on the developing outskirts. Projects, if any, would be smaller and units more easily dispersed, with less stigma.

It appears clear that if subsidies for existing units were used, the program could operate in a more satisfactory fashion. There would be costs. One would be the loss of social housing programs as a technique for meeting production goals. Another would, in some cases, be the poorer physical quality of existing units compared to new construction.

More important than those costs, however, would be the difficulty of implementing the program on a meaningful scale. Subsidies could be attached to existing units in two ways. The housing agency could lease units and sublet them at a reduced rent or it could acquire title in fee to the units and rent them for less than their carrying cost and operating expenses. Leasing depends on the vacancy rate in the area. If it is high, then a fair number of units can be acquired. If it is not, a public offer to lease would bid up rents. Government would be competing for those units with the persons it intends to house in them. It would duplicate their demand. The other difficulty with the leasing approach is the insistence of landlords on the right to reject proposed subtenants, in order to protect their other tenants, the rate of occupancy and, therefore, their investments. "Problem" tenants would be excluded.

Outright acquisition is likely to result in more publicly owned units, lower subsidies, and no limits on tenant selection. But it would still prove very difficult to approach meeting the need. In 1970, there were approximately 2 million rental units in Canada, almost half of which were built in the last decade. How could the government acquire one million existing older units? That would mean obtaining almost all the rental stock built before 1960. Would the owners sell? Would the government be prepared to expropriate? Would compulsory acquisition be politically acceptable when the subsidies could be paid directly to the households, leaving title to the apartments in the hands of their owners?

Assisting owner occupants would be impractical if unit subsidies were used. The owner would have to sell and lease back from the government to

attract a subsidy. Several groups under severe financial pressures would therefore be omitted — the rural poor, elderly owners, female-led and handicapped-headed homeowning households, natives.

Acquisition of existing units will be an important part of the total policy package proposed, but we doubt that sufficient units can be acquired to make it the major bulwark of low income housing policy.

SHELTER ALLOWANCES

The difficulties of making a building subsidy program work lead us to recommend a shelter allowance program as the only workable alternative. It would allow an immediate (not at the end of ten years) reduction of the housing expenditure burden of all (not some) of Canada's low income households to acceptable levels. Such a program would not be required if a guaranteed annual income or other general income maintenance program were in force. The political decision has been taken that the country cannot, at this time, afford a guaranteed annual income. A shelter allowance would serve as an interim, less expensive measure, to be meshed in the future with a general income maintenance program. It would consist of a federal contribution toward shelter costs, aimed at reducing shelter-to-income ratios for all households to 20 per cent, or in the case of families with children, to some smaller percentage varying with income and family size. It would attempt to bridge the gap between ability to pay and housing cost.

There are many variations in the form such assistance could take. It could be a rent certificate (coupon), a rent rebate, a generalized allowance. It could be payable only in case of tenancy or for ownership as well. It could be payable to an individual or to his landlord. It might be payable only families with children, to the elderly and disabled, to all households. It might depend on living in adequate housing. It might vary with income, size of family and size of community.

If one could abstract the experience of some half dozen countries, a European shelter allowance might be described as a rebate payable in arrears (except for Germany), depending on claims made by household heads for the difference between the amount actually spent and a "fair rent". It is payable to owners as well as tenants (except for the Dutch system and for elderly homeowners in France) and payable directly to the household head. Most countries require that dwellings be in minimum habitable condition before households can apply for subsidy.[3]

Grants are available to elderly and disabled pensioners in all countries. Assistance to families takes a variety of forms. In some countries it is general assistance to a broad range of families with children, a combination of housing and family support policy. Sweden makes grants to all families with one or more children with a fairly high income cut-off. France requires that the family have two children with a moderate income cut-off. Denmark makes grants to all families with children, regardless of income.

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[3] See G. Schwerz, *Systems and Significance of Individual Subsidization of Accommodation Costs in European Countries* (Bonn: Domus-Verlag, GMBH, 1966).

Other countries treat the allowances primarily as housing supplements to low income families. The German scheme was set up for that purpose, although it has been broadened to include moderate income families. The Danes and Swedes make further supplements available to low income families, beyond those provided to all families with children.

The basic policy choice appears to be between those two forms, between a generalized shelter allowance payable to all households within a certain income band, say the bottom two quintiles (or perhaps the third quintile where larger families are involved), and a system of payments only to those households in fact paying excessive amounts for shelter.

A general allowance might be established which paid to all eligible households an amount equal to the difference between one-fifth of average annual income for households within that income group and the rental cost of an average adequate unit for a household of that size. Payment could be made in advance, on receipt of proof of income by way of tax receipt. Cheques could be mailed out by the Department of National Revenue. The program would resemble the Family Income Security Plan except that the cheque would be called a shelter allowance and would go to all low and moderate income households not just those with children. The virtue of that approach would be its administrative simplicity, low administrative cost, lack of controls, and universal participation. It would easily convert into a guaranteed annual income scheme when a decision is ultimately taken that Canada can afford one.

That simplicity is also its major drawback. It may not have enough apparent connection to housing to be justifiable politically. There may be concern that the allowance will not be spent for housing (although our main aim is the reduction of expenditure burdens, not the use of the funds to improve a household's shelter position). Most important, it would deal in averages and thus do only rough justice from a housing expenditure perspective (though not from an income point of view). Although low income tenants pay more for shelter than owners with the same incomes, both would receive the same allowance. Similarly, owners carrying mortgages would receive the same amount as owners whose properties were mortgage-free, although wealth limitations on eligibility could deal with that problem. There would also be differences in expenditure burdens arising from location, size of centre, and (in metropolitan centres) different cost structures in centres of the same size. While allowances could vary in amount according to size of centre, adjusting them between centres of the same size would be complicated and would detract from the portability of the allowances.

The more refinements one puts into an allowance scheme, the closer one comes to a rebate system. A rebate system would be less concerned with redistributing incomes to equalize purchasing power than with reimbursing those who pay a disproportionate share of their incomes for shelter. Rebates would be equal to the difference between an acceptable percentage of incomes and the amount actually paid for housing (up to an acceptable maximum). Again, tax returns would be used as proof of household income and receipts for rent, mortgage payments, etc., as evidence of household expenditures.

Rebates would permit the allocation of funds to those for whom housing expenditures constitute the greatest burden. Program cost would be the equivalent of the operating subsidies which would be paid if enough existing units could be acquired to house all families with excess expenditure/income ratios and rented to them for 20 per cent of their income. Larger payments would be made to fewer households, although the total cost would be about the same.

Those apparent advantages would not be costless. A new bureaucracy would have to be created to check proof of cost and administer payments. It might also be felt necessary (as is the case in some European systems) to determine that the household is not purchasing an excessive amount of space and that would also require inspections, although they could be prevented by limitations on maximum allowable rents. With individual unit rebates, increased controls are likely as is increased contact with government officials as a condition of assistance. Since many potential recipients are already in contact with government agencies for other forms of assistance, additional contact may further their sense of dependency. It may also limit the level of participation.

To a great extent, the choice between general allowances and rebates may depend on how close we are to a guaranteed annual income program. If the country is in fact moving in that direction in the near future, then an easily converted shelter allowance is to be preferred. If generalized income maintenance is a long way off, then immediate assistance by way of rebate for those whose need is most serious is required.

We would put the cost of a rebate program at between 600 and 700 million dollars per year, excluding administrative costs. 1.2 to 1.4 million households would receive rebates averaging about $500 each.[1]

We have not attempted to design and cost a shelter allowance program. To do so, much more analysis of the 1969 expenditure survey would be re-

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[1] Our estimates of rebate costs are derived from Table 22 of Chapter 2. They are premised on average 1969 payments of:

$225 (37% of expenditures) to 443,000 first quintile owners without mortgages, i.e. who spend 32% of income on shelter	$100,000,000
$573 (60% of expenditures) to 30,000 first quintile owners with mortgages, i.e. who spend 49% of income on shelter	$ 17,000,000
$280 (55% of expenditures) to 485,000 first quintile regular tenants, i.e. who spend 44% of income on shelter	$136,000,000
$84 (20% of expenditures) to 157,000 1st quintile roomers, i.e. who spend 25% of income on shelter	$ 13,000,000
$195 (17% of expenditures) to 159,000 second quintile owners with mortgages, i.e. who spend 24% of income on shelter	$ 31,000,000
$180 (17% of expenditures) to 484,000 second quintile tenants, i.e. who spend 24% of income on shelter	$ 87,000,000
	$384,000,000
To bring those payments to 1972 levels, we added 5% per year	$ 58,000,000
	$442,000,000

quired. We simply note that if the allowance was not based on actual expenditure levels, but went to all households within the first two quintiles, twice as many payments would have to be made. Either the average allowance would have to be half the amount of the average rebate, or the program would be more expensive. In all likelihood, an allowance program would be 50 to 100 per cent more expensive, depending on the degree of concern with bringing all households down to the one-fifth of income level for shelter costs.

The traditional argument against a shelter allowance program (whether in allowance or rebate form) is leakage; the proposed transfers will leak out of the hands of the recipients into the pockets of their landlords. (The risk of that occurring in the European countries at the time the program was introduced was lower, as rental units were subject to rent controls). The example of welfare recipients is frequently cited. Rent increases immediately following increases in welfare payments are quite common. It is feared that similar increases would swallow up most of a shelter allowance.

At least for most owner-occupants, those fears are groundless. In the case of tenants, we would expect some small rental increases resulting from increased demand. One American study has suggested that the slippage would be in the order of 12 per cent of the allowance, on the basis that 40 per cent of the allowance would go into increased demand and 30 per cent of that increased demand would be lost to higher rents.[5]

> For an entire metropolitan area, it seems fairly clear that an upward shift is demand caused by an increase in incomes is associated with a moderate increase in what it costs to rent a standard mix of housing services. The increase in rents is not sufficient to absorb all the increased demand for housing however. Much of the increased demand, therefore, goes into a better quality of housing rather than higher rents.

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[4] *Cont'd.*

We note that those payments are averages, based on payments to 1.75 million households in the first two quintiles. Payments would in fact be higher and they would go to fewer households.

If rebates were also paid to families with 2 or more children in the third quintile, they would add, at 1969 figures,

115,000 payments of \$350 (25% of expenditures) i.e. \$40 million
plus 15 percent to reach 1972 figures i.e. \$46 million

That would mean total payments of \$500 million initially. With the announcement of the scheme, some low income households would decide to seek better accommodation. Part of the increased demand would, as discussed below, be translated into higher rents and prices for existing housing. These increases might in turn increase the number of households eligible for the payment. We would therefore allow a further 20 to 40 per cent to cover increases in price and in the quality of housing obtained. That puts the total bill at 600 to 700 million dollars, plus administrative costs.

[5] Frank de Leuuw. "Allowance Approach," *Papers Submitted to The Subcommittee on Housing,* House Committee on Banking and Currency (Washington: GPO, 1971), p. 549.

Our observations in chapter 3 on the rent component of the Consumer Price Index support that conclusion. Over the decade of the sixties, consumer incomes rose by about 50 per cent. Average cash rents rose by a similar percentage. About 20 per cent of the increase in gross incomes went to higher rents. Average cash rents rose by a little over 5 per cent, while the cost of a fixed basket of rental housing services increased by only 2.2 per cent annually. That is, 40 per cent of increased demand went into higher rents and 60 per cent went into better quality housing. Since Canadian low income households spend about 30 per cent of income for housing, a projection of 30 per cent of increased demand going into housing and 40 percent of that amount going for increased rents, would appear to hold in this country as well.

The leakage argument applies equally to any increase in social assistance payments. Carried to its extreme, it means that old age and disability pensions, welfare payments, family allowances, unemployment insurance, etc., should not be increased because increased buying power in the hands of the recipients will lead to increased prices for the goods which they buy.

There is the risk that in some cases, conditions of housing shortage, coupled with the lack of mobility of some low income households, will leave some tenants prey to large rental increases. This might be the case with the hard-core poor in the centre of metropolitan cities, with elderly persons with strong neighbourhood attachments or with minority groups who face discrimination in the housing market. That problem can be resolved by increasing the supply of stock available to low income households — not neecssarily by providing new stock directly to them, but by increasing the flow of housing to moderate income households. A situation is then created in which the filtering process can work: moderate income families vacating reasonably priced centre city dwelling units for newly built ones and leaving the centre city units available for low income households with shelter allowances. Filtering from the top of the income pyramid to those at the bottom does not work. The flow is short-circuited by middle income households which, with increased space and quality requirements block the filter. Directing new stock to those in the middle, however, moves the filter downward to increase the choice of households at the bottom. If substantial amounts of that new middle income stock are provided on a non-profit basis, with controlled rents and rising incomes, much of it should be available to low income households within a relatively short period of time.

If rents do increase and there is substantial slippage it may be necessary to rely on rent control, at least as a temporary measure. Although implemented in wartime and in force until the mid '50's, it remains anathema to government policymakers and is not even raised as a possible option. While rent control is discussed below, this study finds that on balance a shelter allowance (or rebate) program, with other measures to control price, is a more equitable and more easily administered program. However, as a transitional measure, to ensure the satisfactory introduction of a shelter allowance policy, it is worth considering.

It is also possible that rent controls may be adopted as part of a com-

prehensive package of wage and price controls. The federal government appears to be considering such a package as a last resort in its battle with inflation. Activity in a number of provinces, particularly British Columbia, may speed a decision to that effect. Again, that would be an auspicious time at which to introduce a shelter allowance.

Because shelter allowance programs are income redistributive, they should be paid for by the level of government which has the most progressive tax base — in this country, the federal government. It relies on the income and corporation taxes far more than the provinces and can therefore best spread the burden. We do not recommend that the program be cost-shared. As can be seen in a number of programs — public housing in particular — cost sharing penalizes the residents of the poorer provinces.

There are two ways in which the federal government could pay for the program. It could transfer part of its tax field to the provinces (giving them a bigger share of the income tax) on the condition that they grant a shelter allowance, or it could raise the money itself and make the payments directly to individuals. Without getting stuck in the quicksand of dominion-provincial financial relations, we simply state our preference for direct federal payments (subject to the scheme fitting into provincial planning for social security) on the basis that the federal government should be able to set minimum standards across the country and should retain its important fiscal tools.

When faced with a proposed program of a similar magnitude — a mini-guaranteed annual income recommended by the Senate Committee on Poverty — the government response was that the country could not afford it. If we can afford subsidies of $165 million per year to agricultural producers, $333 million per year to industries locating in economically depressed areas, $323 million to retrain people for jobs which presently do not exist, then we should be able to afford the cost of whatever income supplements are needed to house all Canadians decently at a reasonable cost to them.

Even if the same minimal level of production of public housing is maintained, by the end of the decade subsidy costs are likely to be around $750 million. Additional subsidies for assisted homeownership and non-profit housing are presently being considered. If adopted, they will further increase the bill. In all likelihood, we are facing subsidy costs within the decade as great or greater than the cost of the proposed shelter allowance programs. That possibility remains hidden in the chaotic state of public housing accounting. To the extent that it comes to pass, cost will not be the issue — rather the question will be which technique creates the greatest good for the greatest number.

One source of revenues to pay the cost of a shelter allowance program should be mentioned. The provisions of the Income Tax Act give owner-operators of rental housing "subsidies" in excess of $250 million annually through accelerated depreciation. For tax purposes, they are permitted to write off concrete buildings over 20 years and frame ones over 10. The useful life of

the buildings is easily double those periods. Of the approximately $1 billion[6] written off annually as capital cost, at least one-half represents depreciation which has not occurred. The excess depreciation amounts to an interest free loan to the developer, for the 20 year period or until the building is sold, of the tax otherwise payable. Assuming most owners of rental property to be in a 50 per cent tax bracket, that means an annual tax forgone of $250 million dollars. To that there could be added (1) further tax shelters provided by way of the pooling concept, which allows the deduction of the interest charges and excess depreciation generated by one building to be written off against another owned by the same owner, and (2) the deductions of the holding costs of vacant land permitted against the profits from land development and rental operations, discussed in Chapter 9. Over the past two decades about one million new rental units were built. In the next ten years, probably 50 per cent more new rental units will be built, i.e. about 1.5 million more. Construction costs will be higher. By 1981 the amount of accelerated depreciation on rental buildings will be double what it is today, as will the hidden subsidies.

None of those provisions is peculiar to the housing business. Tax shelters provided by capital cost allowances and depreciation are important in most manufacturing and processing industries. The point is simply that those who suggest that we cannot afford open, direct transfers to the poor to enable them to afford decent housing constantly ignore the indirect, hidden incentives wiih which tax legislation is replete and on which producers depend. The costs of redistribution programs can be paid for by plugging the loopholes and increasing revenues by removing hidden subsidies, or by simply raising the level of taxes while leaving the tax incentives intact. If neither is done. the subsidies will continue to go to builder developers and the middle class tenants of the new rental units which they produce.

Price and Distribution Policy

Stabilization policy has clearly failed to control housing price inflation and the poor have been the losers. They suffer most from the resultant unem-

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[6] Data on depreciation actually claimed are not available from the Department of National Revenue. It was therefore necessary to make a number of assumptions. The estimates are based on capital expenditures for residential construction from 1950 to 1971 (Table 20 of the 1971 Canadian Housing Statistics). From 1950 to 1959, $15 billion was spent. From 1960 to 1971, $33 billion was spent. Rental units constituted about 50 per cent of the stock in the decade of the '60's and about 30 per cent in the earlier one. In metropolitan centres, one would expect single family ownership stock to be about 50 per cent more expensive than rental units. But half the single family stock has been built in towns under 10,000 in size. As a rough estimate, we have assumed that in the earlier period 25 per cent of the total cost was incurred for rental units and in the latter period 45 per cent of the total. That means a total expenditure since 1950 of approximately $19.5 billion on the capital cost of rental units. Those units constitute only about one-half of all rental units in the country. The capital cost of those built before 1950 is unknown, particularly after numerous transfers at market value. We therefore are quite comfortable with a minimum estimated capital cost of $20 billion.

ployment. And they are hit most heavily by the increase in housing prices. Other techniques for dealing with inflation in the housing sector must be found.

Dissatisfied with the effectiveness of stabilization policy in curbing inflation generally, the government appears to be considering a prices and incomes policy. For the housing sector, that involves no fundamental changes in the system of production, but an attempt to regulate, to confine and restrain the underlying cost pressures.

The alternative is to deal with the underlying forces, to change fundamental relationships, to attempt to redirect and restructure the housing production system, rather than simply (and probably temporarily) policing prices. That approach has better prospects of long-term success.

Much of the increase in housing costs must be ascribed to demand pull which usually follows periods of tight money and suppressed demand, followed, when money is more fully available and interest rates drop, by a surge of demand with which the supply cannot keep pace. The answer would appear to be to ensure a constantly expanding supply of housing (as long as population and household numbers keep growing) and to require other sectors to bear the brunt of a restricted money supply. A floor could be put under annual production levels, with housing bearing part of the burden of stabilization policy down to that floor, but no lower.

> This Study recommends the determination of a persistent floor of directed housing production sufficient to satisfy the minimum requirements of national objectives and the maintenance of this production independent of short-term manipulation of the rate of dwelling construction as an adjustor of other areas of the economy. A continuing production of moderate income, low income and elderly persons housing is essential. Adjustments of governmental housing involvement should lie primarily in the upper segment of the housing market.[7]

The impact of the price of newly constructed housing on both units for sale and rental must be recognized. Government must concern itself not only with the total number of dwellings produced annually but with their cost. Reduced standards, as seen in the federal 1970 Innovative Program and in recurring proposals by developers, are not the solution. The key lies in the institutional factors and to some extent the structure of the industry, which have affected land, money, labour and construction costs recently.

Of these, the land component is the most important, because of the proportion of total cost which it represents, its rate of growth, and its mutiplier effect on the cost of the building (which is treated by the builder as a mark-up on land cost).

Recommendations on land policy are set out in Chapter 9. They consist of the use of public assembly and development of land and of taxation measures to control land price. Public assembly and development would reduce the cost of land developed by the public. It can be marketed in such a way as to regulate the price of privately developed land. The use of public funds to service the

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[7] *Good Housing For Canadians, op. cit.*, p. 116.

land will reduce servicing costs, as interest rates will be lower. It may also lead local governments to require a more realistic level of services. Municipal responsibility for the provision of land for housing and for the price of that land may also lead to a reduction in the number of cases where excessive lot sizes and densities are required (although that practice is not likely to disappear until the revenue problems of municipalities are faced up to and remedied by the senior levels of government).

One of the most important ingredients in the increase in housing prices in the late 1960's was higher interest rates for residential mortgages. Those rates vary with the cost of borrowing money for all purposes, which, in turn, varies with international interest rates. When interest rates generally rise, residential mortgage rates can be expected to rise with them.

There are, however, other factors at work. Both the amount of private money supplied for housing, and its price, are determined by institutional attitudes regarding the profitability, degree of risk, and liquidity in a loan. The result is that an insured, no-risk NHA loan carries interest rates of 1½ to 2 per cent more than an unsecured loan to a prime borrower. As one American observer has noted:

> Housing is subject to a large (market) imperfection in that its position in the queue for loanable funds is probably lower than economic rationality would warrant. In financial markets, large regular customers receive preference over small, irregular customers, but most home buyers are small irregular customers. Each bank rationally lends to its best customers, but the result is too little investment in housing.[8]

To reduce the cost of residential mortgage money, it is necessary to change the position of housing in the lending queue. A number of techniques are possible. The U.S. government pays subsidies to institutional lenders to reduce borrowing costs. It thereby acknowledges that their lending patterns are rational and simply picks up the cost of social programs which are economically "irrational". The West Germans and Swedes have instead chosen to require institutional lenders to devote a fixed portion of their assets (or a sum agreed on annually) to housing loans at a fixed interest rate. That has the effect of indirectly taxing away potential returns on investment from depositors and transferring them to residential borrowers in the form of lower interest rates. The third alternative is for government to use its borrowing power, which is superior to that of housing producers and consumers, to borrow more cheaply and re-lend to the latter at cost. That has been the basis of the federal full-recovery rental and assisted homeownership programs. Cheaper money can be provided to more households by expanding direct federal lending programs. That alternative carries with it the possibility of direct control over geographic allocation, distribution of new production among different income, age, and social groups, and the quality of units produced. It may also have the political advantage of arousing less opposition from vested institutional interests, which might see in regulation of lending for housing purposes the thin edge of the

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[8] Thurow, *op. cit.*, p. 438.

wedge, with controlled lending for other social goods following closely. On those bases, it is the recommended approach.

The most important impact on the price of housing for low income households will come from a change in the distribution of new housing produced. Rather than producing almost all new housing for the top two quintiles of the income distribution, new production must be more evenly distributed with far more stock produced for those in the third and second quintiles. Reduced land costs and direct federal lending at the government borrowing rate can help to achieve that end. The result will be to augment the supply of housing immediately available to those groups (who will not have to bid up for more expensive units which filter down) and to thereby reduce or stabilize the price of that housing to them.

If moderate income housing is non-profit rental housing, its long-term effects will be more important than the immediate ones. Its price will be controlled and will not rise over time. The constant introduction of new non-profit units will allow the government to exercise price leadership in the low and moderate income markets, as private landlords will have to compete with the non-profit supply. The non-profit units will become relatively cheaper, over time, when compared with rising incomes and can soon be counted on to increase the supply of housing for the very low income groups.

The advantages of a substantial full recovery, non-profit housing program were pointed out to the government in 1964:[9]

> It is sufficient support for the proposed activity in middle income housing to contemplate the improved situation low income housing programs would now be in if a large production of moderate income housing had been put in place in the mid 40's when costs were $6,000 per unit and interest rates ran at 4½% and lower. Such housing, originally of a full recovery character, could serve now instead of new subsidized units. Such a program has been the backbone of the Danish, Scandinavian, Dutch and West German systems.

The authors went on to recommend that the national goal should be to produce one million full recovery units and one million deeply subsidized units over the next two decades. Eight years later, national programs are producing at about one quarter that level. We recommend the creation of a similar goal for the next ten years: the production of one million full recovery rental units in metropolitan centres and major urban areas and of two hundred thousand assisted homeownership units in smaller communities. If a shelter allowance program is adopted, that new housing will serve primarily those in the $5,000 to $9,000 range. If unit subsidies are retained, the units would not be full recovery and would serve the bottom two-thirds of the income distribution. At the end of ten years, about one-third of all rental housing in the country would be non-profit, rent controlled units.

A substantial increase in government lending for housing purposes would be necessary. At 1971 prices the cost of 100,000 rental units per year

[9] *Good Housing for Canadians, op. cit.*, p. 119.

would be about $1.5 billion and the cost of 20,000 ownership units, in smaller centres, about $200 million per year. If one includes some $300 million annually for a land assembly and banking program, then annual government lending for housing would be in the neighbourhood of $2 billion, double today's level. That is not to suggest that funding should double in one year. It is more likely that social housing production would grow from 90,000 to 100,000 units in the first few years to 140,000 to 150,000 in the last years of the decade.

Who would produce that volume of housing? It would be built by the same people who build housing today, by the same labour, subcontractors, building and construction companies. It would, however, be developed by different groups — non-profit agencies would be responsible for as much production as possible. Looking at present program performance and at the state of development of these organizations, it appears that at most 15,000 to 20,000 new units would be produced annually by cooperatives, service institutions and clubs, and local self-help groups in the early years of an increased non-profit push. The remainder would have to be developed publicly, hopefully by municipalities. 20,000 units of public housing are presently built by the federal-provincial partnerships, provinces and municipalities. That number might conceivably be doubled in the short term, but that would strain the production management capability of all of the organizations in lved. To make up the difference, it appears to be necessary in the initial stages to rely on purchases of existing projects (and if insufficient numbers can be found, on the entrepreneurial full recovery program). While the purchase of existing units would be encouraged, a subsequent shift to new production — because of its important effects on the price of existing housing — would have to be made.

One alternative to the use of contractual control of price (in exchange for financing) should be mentioned. In our discussions with low income households who bear the brunt of rapidly rising costs, the suggestion was repeatedly made that rent control be adopted to deal with the arbitrary power of landlords to increase prices even as housing services supplied deteriorate. With prices for new rental units constantly rising along with population growth, owners of existing projects are able to charge higher rents than they could when their buildings were new, despite the depreciation which has taken place (and been claimed for tax purposes).

Rent control was introduced in most West European countries during the Second World War and remains an integral part of national housing policy in many of them. It was introduced in Canada in 1940 as part of a general wartime policy of control over the supply and price of necessities of life. It was viewed as a wartime experiment intended to prevent "war profiteers", landlords taking advantage of an increase in incomes and the restrictions on new supply necessitated by wartime conditions. It protected the middle class as well as the poor.

Immediately after the war, a process of decontrol began. In 1947, the regulations were changed to apply controls only to buildings constructed before that year. In 1950 and 1951 the federal controls were replaced by provincial legislation, intended to have only temporary effect as part of the decontrol

process. In Alberta, Saskatchewan, Manitoba, and New Brunswick the provincial legislation has lapsed or been repealed. Ontario, Quebec and Nova Scotia still have rent control legislation for metropolitan centres, but Quebec is the only province that continues to enforce it.[10] The Ontario Law Reform Commission concluded that rent control in Quebec "appears to have had a beneficial effect on the position of the low wage tenant".[11]

In 1970, the province of Manitoba passed legislation creating the office of rentalsman, an official empowered to mediate disputes at the request of either party to a tenancy agreement and issue binding arbitration if requested by *both*. He is also empowered to carry out a rent review function, but the regulations outlining and governing of that function have not yet been passed. Several provinces have recently passed legislation to enable municipalities to create Tenant Advisory Boards — token structures whose powers are limited to advice and mediation.

The necessary organizational framework for rent control is present in several provinces and the requisite legislative powers are still alive in most of them. Under public pressure, municipalities have been drifting towards a jawboning advisory-mediating position. Should these hesitant beginnings be translated into control or regulation of rents?

At a time when pressure is growing for controls in Canada, the Europeans are moving away from them. The arguments made against controls are as follows:

1) Limits on profits chase private money out of the rental housing sector into other uncontrolled areas, resulting in reduced production.
2) It is inequitable to control some fields of activity and not others.
3) If only part of the stock is controlled, rents in the uncontrolled sector rise as new production falls.
4) Not only does new production fall off, but investment in maintenance and repairs diminishes, leading to rapid deterioration in the existing stock.
5) As controls usually apply to dwellings, rather than households, there is no assuring that older, lower priced units go to those whose need is greatest; controls usually apply as of a certain date, for the benefit of dwelling occupants on that date.
6) Households hesitate to move from larger units, even when the space is excessive for their needs, because less space in new housing is more expensive. Underutilization of the existing stock results.
7) Black markets frequently develop in which "key money" is paid to acquire a price-controlled unit. In a partially controlled market in which excess demand is present, poorer households have difficulty competing for controlled units.

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[10] The Quebec legislation applies — in thirty-three towns and cities — to all houses, the rent for which was on December 1, 1962, $100 or less and on the island of Montreal was $125 or less.

[11] Ontario Law Reform Commission, *Interim Report on Landlord and Tenant Law*, 1968, p. 68.

8) Cumbersome administrative machinery is required to police the control system.

These administrative difficulties are sufficient to dissuade us from recommending large scale rent control (outside of the context of a national prices and income policy) provided that a shelter allowance is adopted. The negative effect rent control usually has on new rental construction is not a prime concern; we have already recommended that non-profit developers be responsible for most rental housing. The pricing system, however, does remain the most viable mechanism for allocating existing residential space if incomes are raised to a level at which all can reasonably compete for that space. It is belief in that principle that has led the Europeans to move away from rent control and towards shelter allowances.

In the short run, however, there are two clear advantages to rent control. It costs the public purse nothing. It entails the transfer of the right to increased income from properties from landlords to tenants, and thereby reduces the burden of shelter expenditures on low income tenants. We feel that shelter allowances do that job more efficiently and are administratively far less complex. But if the decision is taken that taxpayers cannot afford income transfers of the magnitudes suggested, we can see no alternative to controlling rents, at least for older existing dwellings.

That control would not take the form of the traditional freeze, subject to increase for increased expenses. Rather, it would probably involve rent regulation or stabilization, i.e. administrative controls aimed at the establishment of "fair rents". That has been the form of control instituted in Britain and in New York State recently, although the criteria used are hazy and uncertain and appear to entail rough, subjective assessments of what is equitable.

Housing Quality

EXISTING DWELLINGS

The recommended policies on shelter allowances and housing price and distribution are premised on the assumption that the vast majority of low income households will continue to live in older existing dwellings rather than newly produced social housing. Both income supplement and price policies deal with the cost of the unit to the household, but do not directly affect the quality. An allowance scheme might allow tenants to move and seek superior accommodation; for owners, it might allow increased investment in repairs.

Most European schemes make payment of a shelter allowance conditional on the recipient living in a satisfactory dwelling. Whether a rebate or allowance scheme is used, we recommend strongly against such a condition. Its purpose would be to provide an incentive to low income households to occupy suitable accommodations and to prevent the subsidization of slum landlords. Its unfortunate effect would be to deprive of assistance the poorest of households. There simply is not enough satisfactory alternative accommodation into which all poor households occupying substandard dwellings could

move. (It would require from 500,000 to 1,000,000 vacant satisfactory units.) Owners would not want to move and, as noted in the chapter on rehabilitation, could not afford to fix the units simply to qualify for a shelter allowance.

The rehabilitation program proposed in Chapter 8 consists of grants to homeowners and small landlords and preferred interest rate loans to larger landlords. Grants will still be required for homeowners, even with the payment of shelter allowances averaging $500 per year. The purpose of the allowances is to relieve the low income household from the excessive burden of shelter costs. If the allowance is spent on repairs and improvements, the expenditure burden will remain the same, although the housing will be improved. If there were no grants, and households had to rely on the allowance to pay for repairs, it might take five to ten years of using the entire allowance before repairs were completed.

In the case of large landlords, preferred loans would still be advisable. They would be made in exchange for contractual controls on rent levels. That control of rents will help to keep down shelter allowances and ensure that the benefits flow to the tenants rather than the building owners.

Similarly, grants to smaller landlords in exchange for rent controls would still be advisable. They represent a trade-off of a capital grant today for higher allowance payments in the future.

RESIDENTIAL STANDARDS FOR NEW UNITS

CMHC has never demonstrated an over-riding concern for the quality of new housing produced, even with housing funded under the NHA. It developed a set of Residential Standards governing insured and direct loans. The primary purpose of the Standards was to protect the Corporation's security position:

> A common misconception is that the Residential Standards establish criteria for design based on studies of social or user requirements. Nothing could be further from the truth: the Standards are only intended to safeguard the financial involvement of the federal government . . .[12]

Unlike its American counterpart, CMHC has refused to accept responsibility to the public for the building inspections which it carries out. Even if a building approved by CMHC is in contravention of the minimal requirements of the Residential Standards, and a member of the public purchases in reliance on the CMHC inspection and suffers financial loss, the NHA gives him no cause of action. The Standards and inspections to enforce compliance are not intended to protect the public but rather the banking agency.

The Standards establish minimum building conditions, which in practice become the maximum which builders attempt to meet. They are based on the model of the single detached home, which prevailed at the time when they were initially adopted. Limited attention is paid to problems of community infrastructure, to the necessary services and facilities which must be present in the locale or within the project itself. No consideration is given to questions of location. Discussions of project design and layout are premised on a suburban,

[12] *CMHC Memorandum*, November, 1970.

low-density conception. Little room for flexibility is left. Except for one abortive attempt in 1969 to impose guidelines governing the form and location of public housing, no separate standards or regulations have been adopted for low income housing programs. The same Residential Standards apply. In our reviews of the programs, we have noted the presence of marginal locations distant from transportation, shopping, recreation facilities, even schools; of inferior design; of inadequate on-site facilities and amenities. Lower incomes, larger families, and higher children counts mean that the need for workable regulations is most pressing here.

Of course, production of large amounts of social housing is a relatively new phenomenon. The absence of environmental quality guidelines could be excused if they were presently being developed, if studies were underway. They are not. Although 50,000 units per year are being funded under low income housing programs, quality guidelines are not being prepared. The experience with projects built in the last few years is not being reviewed. There is no feedback on their adequacy from users and administrators to program planners, nor from program planners to project architects and builders. Anyone trying to investigate social housing, develop a program, design and build a project, starts from square one, unless he happens to have done the job before.

If our recommendations on supply were adopted, 50 per cent of new production would be government financed. Perhaps another 25 per cent would be insured under the NHA. That funding and insuring role could be a major lever for shaping the quality of the environment in which Canadians will live. We therefore recommend that a National Environmental Code for Good Housing be developed. The Code would be a set of guidelines, describing performance criteria and acceptable standards for the quality of housing.

The components of the Code would include:

(a) quantifiable functional standards, for such matters as areas, critical dimensions, sunlight, circulation capacities, and so on, for each of the functional components of the units;

(b) standards for the grouping of dwellings in residential areas, relating dwelling units to location, environmental criteria and community equipment and infrastructure (playgrounds for children of various age groups, multi-service social facilities, day care centres, schools, recreation facilities, pedestrian and road networks, parking, etc.);

(c) guidelines for the homebuilding industry, relating the criteria for dwelling amenities and grouping to homebuilding processes.

DEMONSTRATION PROJECTS

Apart from the limited regulation function, little has been done to improve Canadian housing quality. In the early days of public housing, the federal government as the senior member of the federal-provincial partnership, tried to build award-winning public housing projects, including new housing forms and imported European and American ideas. That effort produced housing that stuck out like a sore thumb, resident dissatisfaction, and provincial and munic-

ipal opposition in the face of increased costs and delays. Public housing is no longer used as a demonstration program and no substitute has been found. Instead, there have been sporadic, grandiose gestures, like Habitat 67 and the recently announced $40 million demonstration project involving a new community to be built in Longueuil, Quebec, over a seven year period.

Both within CMHC and in the architectural profession, one of the most pressing challenges for housing in the 70's is acknowledged to be the development of acceptable forms of medium-density, low-rise, family housing. Yet nothing is being done to develop the necessary prototypes. There is no thought of the Corporation experimenting and developing housing projects itself. Private builders are not encouraged to innovate and seek funding for new ideas, except in slapdash, unworkable programs like the 1970 Special Innovative 200 Million Dollar Low Income Housing Program. No incentives are provided, although they could easily be developed in the form of prize money, sharing of development costs, higher loan-to-cost ratios, provision of land to smaller builders and architects, and so on.

The basic flaws in that program as a stimulus for innovation were the lack of lead time to develop proposals and to allow the modification of approval routines, the refusal of government to accept part of the risk of innovation, and consequent need to rely on larger builder developers.

Big builder developers are not interested in innovation, particularly innovation which improves product performance. Most of them are selling to captive markets. Their major concern with the physical units produced is to control costs. Most of them have come to depend on land development, rather than construction, for their profits. Profit margins on construction are thin. They therefore attempt to standardize units produced, develop as uniform construction processes as possible, and obtain land development permission as quickly as they can. To obtain planning permission, they again submit as close to a standard layout as possible, to avoid delays entailed when officials have to puzzle through novel proposals.

Change should not be sought in expensive Operation Breakthroughs.[13] Work on modification in building systems is being done in enough different countries that we can simply purchase the benefit of other people's research. What is required is incremental change, on a small, trial and error scale, in our own institutional processes, organizational forms, and in the form and nature of the housing services offered. These changes will not yield large financial returns to those who develop them. They will most likely come from small builders and interested professionals, non-profit organizations and government housing corporations.

We therefore recommend that CMHC implement a limited innovative program next year; that it limit maximum project size to 100 units and aim at an average size of 50 units; that it announce the program immediately and invite preliminary proposals, of which the hundred best ones would be given

[13] An American program designed to identify new building technologies by providing large subsidies to major firms for research.

grants of up to $5,000 to develop more detailed proposals; that the grants be converted into building loans in the case of successful proponents; that loans be made at 100 per cent of cost; and that it be prepared to waive its own Residential Standards, Code Requirements and general instructions where necessary and invite the other levels of government to do likewise.

A broadly based, small scale, user-oriented program, harnessing existing knowledge and expertise will not attract the attention of more expensive big industry programs, but will succeed in spreading risk and setting a climate in which incremental change can take place.

Neighbourhood Services

The level of community services in low income neighbourhoods is notoriously bad. Whether one thinks in terms of hardware (roads, schools, parks) or of public service (police, sanitation), the services received by poorer neighbourhoods are inferior. Studies done for CMHC have recommended that the urban renewal redevelopment programs be replaced with "community assistance" or "neighbourhood improvement" programs aimed at improving the flow of community services to those areas.

Policy and program recommendations dealing with neighbourhood services are outside the terms of reference of this study. Since we contend that most low income households will continue to live in existing units in older sections of cities, and that housing policies must deal with the expenditure, quality and tenure problems of all households in existing dwellings, some comments on neighbourhood services are in order.

In the last several years, there has been considerable pressure to include in new social housing projects community facilities for the use of low income residents but the logic of improving the community environment as part of a total approach to improving housing conditions has not been extended to existing units. Day care centres are funded as part of new housing projects; no funds are available to municipalities or community groups to acquire or construct buildings for day care use in existing neighbourhoods. In new senior citizen projects, meeting rooms, cafeterias, and medical care are available. Again, no funds are provided for similar services to those who continue to live in older centre city areas.

The few who gain access to subsidized shelter get improved community services as bonus. Those who remain behind get nothing. Efforts to achieve some equity in housing burdens and the quality of the physical shell should be matched by efforts to achieve equal access to a decent living environment.

Chapter 11

Administering a Comprehensive Housing Policy

Professor Donnison lists a number of measures taken by governments which have adopted comprehensive housing policies:[1]

> 1. Estimates and projections of housing requirements are prepared for the whole country, and revised from time to time, contrasting the implications of different assumptions, and showing the programmes envisaged for the next five or ten years: thus the needs to be met are defined and discussed in a comprehensive fashion.
>
> 2. The government may itself commission a large or small proportion of the houses in the programme or it may (as in West Germany) build no houses at all. But it draws up a long-term programme, which includes all forms of house building, and its own distribution is regarded as an integral part of that total . . . the housing programme is comprehensively defined and, subject to marginal variations, virtually guaranteed by government. The government's own contribution to this programme is not regarded as a 'marginal' intervention designed only to meet residual needs which cannot be met by other investors.
>
> 3. By whatever means prove appropriate . . . government secures control of a sufficient volume of savings to ensure that money is available to sustain the level of building it requires.
>
> 4. Government does not merely predict but actively controls the total output of housing — often with great precision — and it relates this programme to other sectors of the economy . . .
>
> 5. The government has means for relating the output and geographical distribution of new houses to the general development of the whole economy and of particular industries and regions within it. This is a peculiarly difficult task that cannot be performed with precision in a changing society — even in centrally planned economies where government owns all the principal means of production — but systematic and increasingly effective attempts are made to forecast the growth and distribution of employment, population and households, and to show the relationships between these trends and the demands for housing and transport, and the pattern of land uses.

[1] Donnison, *The Government of Housing, op. cit.*, pp. 99-102.

> 6. In addition to its responsibilities for new building, the government also has some control over the distribution of existing housing, particularly in the areas of greatest shortage, or has at least the right to exercise such controls, usually through municipal authorities. Thus housing policy deals with the use to be made of the whole stock of housing, not only with the distribution of new houses. To be effective such policies call for fairly extensive regulations of rents in areas of shortage.
>
> 7. The government also finds it has to assume considerable control over the standards, types and sizes of the new houses built, in order to ensure that the existing stock is increased in ways that match the needs to be met, and that resources are used in an economical fashion to produce a sufficient quantity of houses that can be let or sold at prices appropriate for the households who are to go into them.
>
> 8. The development of the building industry that is to fulfil these programmes cannot be left to chance without jeopardizing the rest of the system, and the government therefore assumes increasing responsibility for improving the technology, organization and general efficiency of the industry, through research, education, practical demonstrations, development projects and other means.
>
> 9. These responsibilities cannot be fulfilled unless government is constantly informed about the development of relevant features of the economy armed with long-term forecasts of future needs and resources, and briefed by officials familiar with current research in a variety of technical and social fields. Thus government conducts, promotes and uses research on a considerable scale. . . . It could be predicted from the nature of the first two responsibilities that any government committed to meeting housing needs in a comprehensive and sufficiently ambitious fashion would in time be led, as a matter of logical necessity, to assume most of the remaining commitments. Those that have gone much further find themselves applying, in the sphere of housing, a new philosophy of government. They are no longer regulating, supplementing, stimulating or restraining the operations of an independent market. They have assumed responsibility for determining the objectives to be attained, and hence for mobilizing the resources and creating the conditions required for that purpose. The distinctions between the 'public' and 'private' sectors of housing — distinctions which are central to the thinking of those accustomed to a 'social' pattern of housing policies — have lost most of their significance. Private enterprise usually has as large a part to play as ever; often a larger one. But it operates within the context of a plan determined by government.

Under a comprehensive housing policy, government agencies cannot simply react crudely to vaguely perceived problems. Objectives are set and goals targeted. Research is done to determine as precisely as possible the nature and extent of the problem, the forces at work in creating it, the resources available to deal with it, the best way to organize and allocate them. Careful planning is done.

This section discusses proposals for the reallocation of responsibility and the reorganization of government agencies to build responsive planning mechanisms into the housing decision system.

The Federal Role

First and foremost, federal housing activity must shift from financing or insuring to meet a specified number of unit starts to planning for housing need, housing quality, the preservation of the existing stock, and the social implications of governmental housing efforts.

The primary role of the federal housing agency should not be that of project banker and approving authority. While banking and approving loans are functions that must be performed, far more important from a social housing perspective are the functions of:

(1) developing national housing policies and programs,
(2) monitoring economic conditions and policies relating to housing,
(3) evaluating existing policies and programs,
(4) coordinating federal housing and housing related efforts,
(5) sponsoring experimentation and development of new concepts and processes,
(6) providing the necessary expertise for those charged with the development of social housing, and
(7) speaking for the interests of the housing consumer.

The federal government is best able to carry out these functions. Underlying several of these is the need for housing research. In CMHC and Statistics Canada — which has recently undertaken important work in housing related areas — the federal government has the best instruments for national housing research. And there is a need for national (as well as regional and provincial) research. The markets for some of the factors of production — money, labour, some construction materials, enterprise — are national. Important levers affecting housing — tax and monetary policy — are in federal hands. Most of the housing research in the country is being done under the aegis of the federal government. Perhaps most important, with the provinces moving constantly deeper into program administration, only the federal government has the time, in some cases the money, and (perhaps) the inclination to do the necessary research.

POLICY AND PROGRAM DEVELOPMENT

National housing policy should be built around national housing goals and form the context for the development of provincial housing programs. But it is critically important that social housing programs not be "basket programs" that attempt to cover the needs of the entire country with a single set of standards and regulations. Programs to achieve national housing goals should instead be hammered out with each province, or with several provinces in a single region, so that the provincial program becomes the mechanism to attain national housing goals. To encourage the development of flexible and responsive programs, the federal government must be prepared to decentralize decision authority. This report strongly recommends that the federal government enter into master agreements providing for block loan funds with all the provinces. We make that

recommendation for a number of reasons. Under the present system (as described in the review of the public housing program in Chapter 5) federal leverage to affect provincial decisions is minimal. Through the approval process, the federal government tries to affect the quality of individual projects. Few proposals are rejected; friction and tension between levels of government is constantly present. No attempt is made to use the budget process, the annual provincial request for funds, as a means of ensuring that federal funds are used to achieve national goals.

Federal officials are so enmeshed in consideration of individual projects, the number of which has been multiplying annually, that no one has time to review and evaluate programs. The pressure on provincial officials, who have far more work to do in developing rather than just reviewing proposals, is even greater. Everyone is concentrating on the trees and no one is looking for the forest.

The federal review involves a duplication of the work done at the provincial level. While it may have been necessary when the provincial corporations were not well established and were still feeling their way, there is little justification for continuing it today. It is a waste of time and effort, and of the taxpayers' money — particularly when there is so much other important work to be done at the program level.

Perhaps the best reason for suggesting that the federal government offer to enter into that arrangement is that it will be under strong pressure to do so in any event and is not in a strong position to refuse. Quebec already has such a master agreement. Ontario has requested one and will do so again. Similar requests will come from Manitoba, Alberta and Nova Scotia, all of which have rapidly established and expanded their provincial housing organizations. A clear trend is developing for provinces to seek complete control over social policy within their geographic boundaries. A joint committee of the House of Commons and the Senate has endorsed that position.[2] The provinces are pressing Ottawa to revise their revenue sharing agreements, to give the provinces the tax sources to proceed in those areas.

With those currents flowing, the federal government can continue to insist on individual project approval, as the price of its assistance. It could tell the provinces that if they dislike submitting to a banker's approval, they can raise the necessary capital funds themselves. We assume that the federal government appreciates the usefulness of housing policy as a tool for shaping people's living environments, particularly the urban environment, and wishes to retain it. If that is the case, no sounder tactic could be found than giving up a power of limited worth — individual project approval — for the ability to join with the provinces in developing provincial housing programs in conformity with national housing goals.

Finally, it seems the best way in which to devolve program and project

[2] *Report of the Special Joint Committee of the Senate and the House of Commons on the Constitution of Canada*, Senator G. L. Molgat and M. MacGuigan, M.P., Joint Chairmen, Fourth Session, 28th Parliament, 1972.

planning to the metropolitan level. That has been a federal goal for more than twenty years. Federal banking with provincial development of projects has not led to that result. If federal lending techniques shift so that the provinces become the bankers within their own boundaries, much of the development role may be passed on to the municipalities, as it has in Quebec.

In theory, the federal housing agency should be prepared to make block loans and transfer individual project authority to the provinces for *all* social housing programs (including rental programs operated on a full recovery basis or with operating subsidies, and programs involving direct loans to individuals, such as assisted homeownership programs or rehabilitation programs). Authority transfers in these programs should not occur until — and should only take place on condition that — the provincial lending agency is itself decentralized and able to offer lending services at the local level.

It is extremely unlikely that any of the provinces (except perhaps Ontario) would want, or be able, to provide branch offices for direct homeownership or home improvement loans in the near future. It is similarly doubtful that they would be in a position to make loans to non-profit or cooperative groups in a large number of cities without involving complex mailing procedures through which the groups would contact the provincial corporation's head office. Under such circumstances, it would appear appropriate that the federal housing agency — already organized to provide branch services in a variety of centres — continue to carry out that lending function. On the other hand, should the provinces decide to provide rental housing directly (or lend to the municipalities to do so) a centralized banking operation would suffice. While the choice of direct lending, direct building, or block lending to the municipalities, should remain with the provinces, efforts should be made to encourage decentralization of the provincial housing agency and — preferably — delegation of provincial authority in social housing to the municipalities.

MEETING PROGRAM GOALS

In order to facilitate mid-term program planning, the federal government should be prepared to plan for and commit funds for a five year period.

It is an almost universal provincial complaint that planning is an impossibility in the absence of an assured flow of federal funds. While federal five year program commitments would facilitate provincial planning, they would also require that the provinces in turn outline their activities and project their financing needs on a five year basis. Five year planning of provincial social housing activity would better enable the federal government to analyze and evaluate the effectiveness of provincial efforts to achieve national housing goals as stated in program objectives for a particular area.

While loan commitments would be made for a five year period, block loans would be made for one year terms initially and thereafter for two year periods. The monies committed for the five year period, then, would only be forthcoming if provincial activity in fact satisfactorily complied with the jointly agreed upon program goals and requirements. If the province is able to meet its objectives, it is assured of that necessary funding. If, however, its social

housing activity falls short of its objectives — or is not in keeping with the program as outlined — then the commitments could be reviewed and adjusted.

A mechanism must be developed to encourage and ensure that the funds lent the provinces are utilized for purposes in conformity with the housing goals and program objectives. Should provincial activity be entirely unsatisfactory, it would theoretically be possible to cut off funds entirely during the five year period. The political difficulties of doing so would be great. A far more acceptable control would be a freeze on the level of funding (rather than continuing the projected increase in funding level concomitant with projected increases in social housing activity) and initiation of a direct federal program competitive with provincial activity. Direct federal activity should only occur as the result of provincial refusal to develop a mutually satisfactory program, or provincial failure to honor program commitments. Federal activity should not displace provincial activity; it should provide a standard against which to measure provincial program effectiveness.

Present cost sharing arrangements, requiring provincial concurrence in federal action, militate against an independent federal program competing with provincial activity. Clearly, the provincial government would have to agree to share the cost of federally built subsidized units if the province failed to achieve its own goals. Such agreement could perhaps be a condition of the block loan funds. If, however, a general shelter allowance is adopted and subsidization transferred from the supply to the demand side, then either level of government could independently fund and/or build non-profit, full recovery housing. Whichever subsidy form is employed, the federal agency should agree not to act as long as the province is fulfilling the program objectives adequately.

As a further control on provincial commitment to stated program objectives, a condition of continued funding should be that the province prepare an evaluation of its social housing program to be tabled before its legislature. This would encourage adequate provincial debate on program objectives and the means used to achieve them, as well as provide the federal housing agency with a self-evaluation by the province of provincial activity.

To the extent that the federal housing agency retains certain direct banking functions, its activity must be made to conform to the social housing program developed for the province and agreed upon by the federal agency. In the same way, provincial re-lending of funds in block to municipalities must also be tied to the national housing goals and program objectives as agreed upon for that province.

ORGANIZATIONAL CHANGE

A Department of Housing. Chapter 4 noted that the crown corporation form for the federal housing agency was chosen as a suitable vehicle both for stimulating housing production and carrying on market-oriented lending operations. This study has not considered the effectiveness of Central Mortgage and Housing Corporation as a bank, lending funds for the production of middle income housing. What has been examined in some detail is the role of CMHC in the planning and administration of social housing programs. That examination and

review suggests that a crown corporation is not the appropriate organization for planning and implementing social policy. The Corporation is too distant from the political process, from its Minister, and from other federal departments. Its banking role, functions, and attitudes become confused with its social planning ones.

Interposed between the Corporation and the Minister is a Board of Directors composed of senior executives from the private sector, senior civil servants, and citizen members from the various regions of the country. In the past, when the social housing function (and therefore Ministerial concern about the performance of the function) was minimal, the Board played a key role in the development of housing policy. Because of the Board's makeup, it was largely a conduit for the views of the Department of Finance on the role of housing in overall economic policy and busied itself with ensuring that corporate affairs were conducted in a business-like manner. Today, with much greater ministerial interest and intervention, the Board's field of activity has been reduced drastically.

Under section 5 of the Central Mortgage and Housing Corporation Act,[3] the Corporation is to "comply with any directions from time to time given to it by the Governor in Council or the Minister respecting the exercise or performance of its powers, duties and functions." The close ministerial supervision which exists in the case of a department is not anticipated by the legislation. Instead, ministerial attempts to exercise control have usually consisted of sporadic forays into the policy field, in the midst of other concerns regarding other functions (Transportation, Urban Affairs, the Status of Women). The irregular pattern and haphazard results are unacceptable. What is required is an organizational form which symbolizes ongoing control by the Minister.

Addressing itself to the position of boards of management, the Glassco Commission made a point which is equally applicable to crown corporations:[4]

> The kind of independence possessed by their boards is dependent upon Ministers being absolved by Parliament and the public of their traditional responsibility for the day to day conduct of operations. The essence of this form of organization is that ministerial intervention will normally be confined, . . . subject to parliamentary sanction, (to) the general lines of their policies and objectives.

Later, when referring specifically to the crown corporation form, the Commission noted that the major organizational advantages are "immunity from the external controls to which ordinary departments are subject, especially in their financial and personnel administration."[5] Immunity from control, however, has its drawbacks. At present, CMHC is one of the few crown corporations which always shows a profit. As long as that continues, the Corporation is virtually assured of freedom from tight Treasury Board control. The resulting Corporation concern with profits militates against making "risky" loans to groups without demonstrated professional competence and against expansion

[3] *Revised Statutes of Canada*, 1952, Chapter 46, section 5.
[4] *Royal Commission on Government Organization*, 1963, Volume 5, p. 60.
[5] *Ibid.*, p. 70.

of staff complement to establish banks of expertise, provide technical assistance to groups, and develop a strong research and planning capability.

Making housing a *departmental* function has been recommended several times. In 1963 the Glassco Commission observed:[6]

> For the lending, guaranteeing and insuring agencies (including CMHC) . . . the scale and character of operations depend on a calculation of what the public interest requires rather than of what the market will take. Consequently, . . . the initiative in shaping policy must rest with ministers to a far greater extent and a board (of directors) composed of businessmen or others having special knowledge relevant to operations can only play a minor role in matters of policy . . . In the opinion of your Commissioners, these organizations might properly be more closely assimilated to the departmental form, with advisory councils where appropriate and, if necessary, special review procedures to ensure impartiality in the treatment of applications for loans and guarantees.

Six years later, the Hellyer Task Force wrote:[7]

> Under the present system CMHC is, in theory at least, the administrative agent of the government. The responsibility for policy decisions rests, again in theory, with the government itself and the Minister to whom this role is assigned. The flaw in this system is that the Minister has no other source of policy advice and research than CMHC itself; he has no "department" to provide these services to him. In practical terms then, the effective role of policy advisors to the Minister rests with the executives of an independent agent which, by law and conception, is supposed to be the administrative body for implementing decisions made by the government itself.
>
> The Task Force believes this system is faulty and that the federal cabinet should include a Minister responsible for housing and urban development on a full-time basis and, equally important, staffed with a department to assist him in carrying out these important policy functions . . .

In its report, the Task Force pointed out that the reluctance to create such a department in the past had stemmed from a federal reluctance to create a ministry which might appear to be concerned essentially with matters which fall within other constitutional jurisdictions.[8]

That has been a primary concern of the present government. To avoid criticism of invasion of constitutional territory, the decision was taken in 1971 to create a Ministry of State for Urban Affairs, rather than a department. Its role was defined in terms of initiating new policies and projects, evaluating new and existing policies and projects related to urban affairs, coordinating national policies on urban affairs among national departments and agencies, and coordinating federal activities to cooperate in urban matters with the provinces and municipalities.[9]

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[6] *Ibid.*, pp. 65-66.
[7] *Report of the Federal Task Force on Housing and Urban Development*, 1969, p. 72.
[8] *Ibid.*, p. 69.
[9] *The Canada Gazette*, Part 1, July 10, 1971, pp. 1768-1770.

To date, the major emphasis of the Ministry has been on research and policy development, in an attempt to define an urban growth and development strategy at which federal policies should aim. No attempt has been made to establish an urban-oriented policy for particular departments or agencies. Rather, what is being sought is a framework against which the urban-oriented policies of those federal agencies can be measured and balanced (coordinated). That leaves the task of developing an urban-oriented (and for that matter, a rurally-oriented) housing policy with CMHC. That function is not an appropriate one for a crown corporation. It might be suggested that once the Ministry has developed its urban policy framework, it could be adopted and implemented by the Corporation. But that framework will of necessity be very broad and more specific national housing policies are required.

In order to develop a national housing policy — or, more specifically, a national social housing policy — responsive to and reflective of government aims and priorities, this report recommends that housing become a departmental rather than crown corporation function, and that a Department of Housing be established.

Internal Reorganization. Whether or not a Housing Department is created, the shift in the federal role vis-à-vis the provinces and municipalities should be accompanied by a variety of organizational changes. The head office must clearly assume the role of a policy planning centre. The research strength of the Policy Planning Division should be increased and immediate steps should be taken to develop general research and evaluation capabilities throughout the housing agency. Researchers located in the main policy planning unit could be assigned to work with the operating divisions to build the necessary data base and sort out with the divisions the key issues to be considered for policy development. Given existing division structure, it is particularly crucial that such an exercise be undertaken with the Urban Renewal and Public Housing Division and the Loans Division in order to begin to determine the effectiveness of the existing social housing programs and undertake a thorough examination of lending practices, and the interrelationship between the two.

The head office should become a bank of technical expertise available to undertake, or assist in, experimental and developmental projects. In some cases, the experimental projects could be federally run. Preferable, however, would be a system in which skilled personnel were loaned to provinces, municipalities, or non-profit groups for assistance on specific or innovative projects. More routine day-to-day assistance for projects falling within the more established pattern would be available at the branch level.

In order to stimulate a general interest in social housing, as well as encourage the development of innovative approaches and projects, the federal housing agency would take on a much more active leadership role in disseminating information, coordinating housing related activities in other federal departments and agencies, promoting research and education programs in *housing* as well as urban studies, and lobbying for increased consumer protection in the housing field.

Information dissemination is a particularly vital function. Provinces,

municipalities, and various consumer groups will not participate in social housing programs unless they are adequately apprised of what is available and the advantages of participation. The further down the line one goes from the federal level of government, the more important information dissemination becomes. This report frequently notes the tendency of government housing agencies to develop strong connections and communication flows with various expert bodies, etc., the builders and developers that produce housing and other governmental housing agencies. The category most frequently overlooked, ignored, and indeed excluded from policy development and program implementation was the community group.

Composed of amateurs, very often with a low income membership, community groups — whether neighbourhood organizations that are geographically based or other, non-geographically based groups — rely heavily on information, advice, and funding from the public sector. A special effort must be undertaken to ensure that such groups are encouraged and enabled to participate.

In addition to learning about the various housing programs made available by the government, the public in general must be given access to data and information evaluating the effectiveness of existing programs and indicating the dimensions of housing need. Opening up the system to provide public access to such information would go a long way toward providing for increased participation in policy development. A well informed public is both more likely and more able to participate effectively in policy reviews undertaken at the various levels of government and to evaluate the relative desirability of alternative courses of action. A vital first step, then, might be to publish much of the in-house research undertaken within Central Mortgage and Housing Corporation in the past year. In addition, public access should be provided to much of the raw data used as a backup to, but not contained in, Canadian Housing Statistics.

In a further effort to better inform the process of policy development and program evaluation, the federal housing agency should be given a leading role in the integration of policy making and research into a variety of housing related problems. Except for occasional ad hoc interdepartmental committees (which meet infrequently and irregularly) the housing efforts of the various federal departments are totally uncoordinated. National Health and Welfare makes housing rehabilitation grants, funds community social and recreational facilities under the Canada Assistance Plan, and makes grants to neighbourhood groups interested in improving housing. The Department of Regional Economic Expansion provides money for the installation of community infrastructure, like roads and sewers, in designated growth centres. The Department of Indian and Northern Affairs is responsible for housing programs for Treaty Indians but not for Métis. The latter are within CMHC's purview. Loans for farm housing are made by the Farm Credit Corporation, supervised by the Department of Finance. Mobile housing production is sponsored by the Department of Industry, Trade and Commerce. Taxation policy affecting housing and land development is proposed by the Department of Finance, with limited input from

CMHC. The list goes on and on. . . . Some form of interdepartmental coordination, probably by way of a permanent committee, is imperative.

A classic example of an issue crucial to housing policy would be the development of the capabilities of the residential construction industry. Research on that subject would have various aspects under study by the Department of Trade and Industry (activity), the Department of Manpower (manpower training), the Department of Labour (labour management relations), Statistics Canada (corporate size, assets), the Department of Consumer Affairs (competition, prices and incomes policy), the National Research Council, and most recently, the Economic Council of Canada. The work of each of these agencies has a crucial bearing on the supply, quality and price of all housing, and, therefore, on low income housing. The federal housing agency is the natural unit to coordinate and monitor that research.

In the field of non-governmental research, the federal government is only just beginning to direct the areas for analysis, rather than responding to demands for funds. It has been clear during the course of this study that there is a tremendous lack of basic research in the housing field. There has, for example, been virtually no work done in the analysis of the economic problems involved in housing since O. J. Firestone wrote his book in 1951, except for several pieces on the operation of the mortgage market.

While substantial sums of money for continuing support have been made available to institutions concerned with urban problems, there has been little attempt to determine the extent to which the research and/or activities of the organization focus on housing or housing-related projects. With the establishment of the Urban Affairs Ministry, it would seem reasonable to expect that those organizations wishing to undertake work in the broad field of urban problems rather than specific study in the area of housing or housing-related problems should be funded through the Urban Affairs Ministry rather than the federal housing agency. In terms of housing and housing-related research, it would appear that a much expanded Part V budget will be required to fill the backlog.

With the reorganization of the head office (shifting the emphasis from daily program administration to policy development and program evaluation) it will be necessary to build research and evaluation capabilities into the field offices as well. In the fourth chapter of this report, it was noted that various reorganizations have left the regional office without a clear definition of function. As a result, the regional offices became the focal point for experimentation in the region, with the regional supervisors taking on the dual role of federal ambassadors to the provinces and advocates for provincial positions when dealing with Ottawa. The concept of an innovative, policy-oriented regional office is one that should be strengthened and underlined. In order to properly perform that function, however, the regional office should be significantly reorganized to provide a policy research and program evaluation capability.

Strengthening the regional office in this manner would provide the federal housing agency with an organizational structure that would better facilitate the decentralized, provincially-oriented approach to housing program develop-

ment that has been outlined above. The regional offices would become the research and information centres monitoring and evaluating housing need and program effectiveness in the region. In addition, the regional office would be expected to work closely with provincial housing agencies to: encourage and initiate experimental and innovative approaches; assist in the development of in-house expertise at provincial and municipal levels where desired; exchange information on need, program effectiveness, and the results of activities and efforts in other regions; and, particularly important, assist the province in developing housing programs that both address themselves to the needs of major urban centres and take into account the long neglected housing problems in rural areas and small towns. In this way, the regional supervisors' dual ambassador/advocate role is acknowledged and strengthened — a particularly important consideration in providing block loan funds to the provinces.

In Quebec, Ontario, and British Columbia the formalization of the ambassador/advocate role is easily made. For the Prairie provinces and Maritimes, however, a closer examination should be given to the possibility of establishing additional regional offices. Study findings suggest that this might be particularly important in dealing with the Province of Alberta. The smaller size, closer proximity, and increased similarity of problems and factors affecting low income housing may obviate the need for further decentralization in the Maritime provinces, as may the growing trend toward joint action by the provinces, with the possibility of Maritime union.

In addition to assisting Head Office in its policy development and the province in its program direction, the strong policy planning apparatus at the regional level should be organized to assist and advise the branch office in its work. Recognizing the potential differences in the kind and complexity of housing problems in major centres, lesser centres, small towns, and rural areas, it is recommended that the regional research unit reflect the need to develop expertise in understanding the housing problems in each of these areas in its organizational structure. To this end, the regional staff should carry out broad research in the entire region, while assisting the branch technical personnel in carrying out specific program reviews to determine program effectiveness in the specific area, and highlight the direction in which future activity should move. The researchers in the regional offices would be expected to work closely with branch staff in identifying key characteristics and issues in the area, much as personnel in the central policy planning unit would be expected to work closely with the technical staff in each of the operating divisions to similarly develop an understanding of program operation and key issues to be explored. The regional staff, then, would provide support services to the branch office in developing and implementing various projects (particularly those of an innovative or experimental nature), whether undertaken directly by the municipal level of government or the private sector, especially non-profit and community groups.

The branch office continues to have primary responsibility in the area of day-to-day administration of programs. To these responsibilities must be added a program evaluation function. Because the regional office will house

the majority of full time research and evaluation personnel, it may not be necessary to build in separate staff at each branch to perform that function.[10] Whether a separate staff is built in or not, it is clear that a careful review must be given to the skills presently reflected in the staff of the branch offices.

Parallel to the initiative posture of the regional office, the branch offices would be expected to work closely with their municipal counterparts in developing municipally-oriented programs to meet the low income housing needs in one particular area. The branch office should be particularly able to assist the municipalities in the necessary collection and evaluation of data to determine the extent of the need, evaluate program effectiveness, and point the way for future action. The branch, then, should undertake a similar ambassador/advocate role with the municipality in its area. In this case, it would be an ambassador for the regional policy perspective, and would, in turn, become the advocate at the regional level for the needed resources and program shifts to better meet the needs of its city. The inclusion of these functions may well require additional specific skills at the branch level.

Perhaps more than any other level in the federal housing agency organization, the branch office is charged with the responsibility of working closely with the private, non-profit sector. The information dissemination activities begun in Ottawa are only effective to the extent that the branch office undertakes an aggressive, out-reaching role in contacting a variety of non-profit groups and informs them about the variety of programs available to them, and assists them in developing proposals and carrying out projects where they express an interest. The present willingness to contact, encourage, and indeed lobby with the profit-oriented private sector to facilitate and increase its participation in housing programs must be translated into a similar willingness to deal with the non-profit sector. The likely additional need of such groups for expert assistance in a variety of areas may well point to the necessity for an increase in the number of expert staff from a variety of professions to be located at the branch level.

The Provincial Role

In Ontario, Quebec, and Manitoba, a strong sense of the need to develop provincially-defined housing programs suited to the needs of each province already exists. The goals of a national housing policy, outlined above, rely on a willingness by each province to take a careful look at the housing needs of its people and delineate and define the necessary courses of action to meet national housing goals within the context of the circumstances in that particular province. Both central and regional federal structures would be organized with a view toward developing provincial housing programs. It is not necessary, however, for every province to develop a strong, independent housing agency to

[10] The exception may well be branch offices located in large, highly complex urban centres where the scale of the problems to be understood merits a staff on site. Locating the regional offices in the major urban centre of each province, however, may go a long way toward meeting this need.

administer directly the loan funds committed to the province in block form. Various provinces for various reasons may choose instead to utilize CMHC expertise in the administration of provincially-determined programs.

Saskatchewan and British Columbia, for example, have not established provincial housing corporations. They have, instead, established housing agency structures that rely heavily on CMHC participation. In the Maritimes, as well, provincial housing agencies are relatively small and lacking in expertise. Limited provincial resources may lead a province to decide against establishing a major administrative unit. The *administration* of low income housing programs (the entire program or a portion thereof) could be undertaken by the federal housing agency on a fee-for-service basis. Put another way, limited provincial resources and/or a provincial desire to work more closely with the federal housing agency should not result in a second-class position.

A federal willingness to provide the necessary administrative machinery does not relieve the province of the responsibility to identify and develop the preferred course of action to meet the need for low income housing. The province would continue to be responsible for program development in conjunction with the federal housing agency, and for program evaluations (on a regular basis), to be tabled before its provincial legislative assembly — responsibilities equally applicable to those provinces utilizing block commitments of loan funds.

For those provinces that would prefer to make use of block commitments of loan funds and administer programs themselves, it is recommended that they be permitted to do so with the provisos and conditions laid out in the previous section discussing the federal role: that the province develop a low income housing program consistent with national housing goals and mutually satisfactory to the province and the federal housing agency; that the province undertake a regular program evaluation to determine the effectiveness of its efforts; that program activity be projected on a five year basis, broken down with yearly objectives; that continued funding to the level agreed upon with the five year commitment be contingent upon meeting the annual objective; and that the provinces be in a position to provide service to potential borrowers equivalent to that provided by the federal housing agency.

The programs most likely to be affected by this proviso are the various direct lending programs that assist homeownership and provide home improvement or rehabilitation loans. It may well be that a given province may decide to leave those programs within the federal orbit, rather than take on responsibility at the provincial level. To the extent that this occurs, the decision authority regarding program administration is then left with the branch office of the federal housing agency. Because extensive planning and evaluative capabilities are located both at the branch and regional level, the branch office should be able to satisfactorily integrate federal lending activity, under these programs, with the priorities and thrusts of provincial low income housing programs. Just as provincially-determined housing programs must be in conformity with national housing goals, federal housing activities at the local level must conform to provincial housing goals and policies.

Regardless of the number of provincial agency offices dispersed through-

out the province, there remains a clear need to decentralize decision authority beyond the provincial level. The principle of decentralization which suggests that the provinces are better able to determine the needs of their area than the federal government, also suggests that municipal organizations are likewise more sensitive to the needs of their areas than their provincial superiors. And in many of the major centres, the municipalities have made important advances in developing sophisticated planning staffs capable of undertaking a social housing policy development function.

The provinces (Ontario in particular) should learn the lessons of CMHC's experience. They presently find themselves in very similar centralized situations, with little ability to undertake policy planning as a result of being weighed down with the burden of day-to-day program administration. Provincial concern that focuses on the number of unit starts as an indicator of program effectiveness — again parallel to federal concerns — has likewise hamstrung provincial ability to perceive the social aspects of housing need and social implications of their program activity. Every effort should be made to encourage the provinces to adopt a role within the province similar to that proposed for the federal housing agency in the national context.

Just as the federal agency must be restructured and re-oriented, the provinces also must begin to develop a policy planning capability. They have been interested in the social aspects of housing policy for at most six or seven years. During that time the emphasis has been on getting housing on the ground, and on increasing the level of starts annually. There has been little time to review performance or redefine goals. In some cases reliance has been placed on private consultants to perform that function. That work must be done by senior management, although outside professional help may prove useful.

The provinces should assume responsibility for policy and program development and evaluation within their areas, and leave implementation to the local level. To that end, this report recommends that the bulk loan agreements provide for federal loans to cover 100 per cent of the capital cost of projects to be built by municipalities or non-profit groups, 95 per cent of the lending value for entrepreneurial projects, and ⅔ of the cost of projects to be constructed and owned by the provinces.

The latter provision would provide an incentive to the provinces to transfer responsibility for individual projects to the local level. It would not, however, necessarily induce them to give overall program control to municipalities with the ability to plan and develop comprehensive programs. Individual projects, at least, would have a better chance of meeting local needs and conforming to municipally-developed social housing policies and priorities. The provinces should thus be encouraged to make block loans at least to the major metropolitan centres to strengthen their self-reliance and ability to control their own destinies.

To promote municipal willingness to accept that responsibility, the federal government should be prepared to make grants to municipalities — to be matched by the provinces — of 25 per cent of the cost of developing a competent housing department and of its operations for the first three years. Such

a system would encourage the development of ongoing municipal capability at a cost to the federal government roughly equivalent to what would otherwise be its operating costs for programs during that same development period. During the development stage of the municipal housing agency, it may be necessary for both the federal housing agency and the provincial housing agency to provide additional manpower and expertise in order to ensure that a municipal social housing program is not delayed for want of administrative capability. Again paralleling the federal-provincial arrangement, municipal policies and programs would have to be presented to the provinces when seeking the block loan and would have to meet broad overall provincial objectives.

Considerable emphasis has been placed on the need for the provinces to develop comprehensive housing policies that are integrated with broad provincial objectives. In order to undertake the development of such policies — and programs to implement them — it will be necessary to bring the program planning of the provincial housing agencies far closer to the general provincial policy development process than has been the case in any of the provinces. To that end, the provinces should place housing responsibility in the context of an organizational structure more responsive to the broad thrusts of provincial policy than independent housing corporations or commissions.

The Municipal Role

This report strongly recommends that housing be planned and developed by the level of government which is closest to the people — the municipal level — when the housing is to be state-owned, and that it be developed by the users and potential users themselves wherever possible when the housing is not to be state-owned. In either case, however, it is fundamental that housing conform to a delineation of social housing policy within the context of a general municipal housing policy that is carefully integrated into overall municipal planning and development objectives.

The conventional wisdom in opposition to this position suggests that "the municipalities are not concerned with low income housing," or "they lack the necessary competence to plan for low income housing," or "with the present tax structures, the only housing that municipalities are interested in is luxury high-rise which produces high revenue levels with limited expenditures." In fact, what little anticipatory and strategic planning for housing that has been done in this country has been at the municipal level. The provinces have been reluctant brides at the housing altar, the majority dragged, kicking and screaming, unwilling to accept responsibility in the social housing field. In most provinces, and clearly for the longest time, it was the municipalities, under pressure from local groups, who took the initiative in the social housing field. Even today, most of the major initiatives in land assembly have come from the municipalities.

Municipalities are no longer just local caretakers, fixing roads, installing sewers, putting out fires. The concerns of local government today include educa-

tion expenditures, recreation services, welfare, transportation and, most important and most time consuming, the form and location of future residential and commercial development. Through their involvement in redevelopment issues, including the destruction of existing low and moderate cost housing and its replacement with luxury accommodation, municipalities are constantly confronted by and required to deal with low income housing problems.

Faced with the need to provide a wide range of urban services and to determine priorities among them, local governments have strengthened their planning capabilities. The urban planning competence of personnel in the planning departments of the large metropolitan governments is clearly equal to, if not superior to, that in the housing agencies and departments of municipal affairs at the provincial level. To the extent that this capability does not clearly cover technical housing questions, the answer is not to channel authority upwards but to develop the necessary municipal expertise.

Development of municipal expertise — as noted above — may involve either the lending or transferring of personnel from the two senior levels to the municipalities and/or the provision of grants for the development of municipal housing programs and partial payment of the operating costs for the first several years until the municipal housing agencies are fully developed.

The argument that municipalities are not interested in low cost housing, because of tax planning considerations, should not be met by simply forcing them to accept social housing. Again, the answer lies not in centralizing the decision authority but in attacking the financial problems of municipalities. Unless and until the senior levels of government acknowledge their responsibility to municipal residents and come to grips with the problem of the restricted revenue base of municipalities, local opposition to low cost housing will continue.

The present system of financing municipal activities results in a tremendous waste of national resources. In order to increase property tax revenues by perhaps 25 per cent, municipalities require larger unit sizes and lower densities than many housing consumers desire or require. The increased purchase price means a larger property tax base for the municipality, and also means, for our national resources, that the limited amount of capital available for housing goes to produce fewer units than it otherwise might, and that subsidies are required to allow persons of moderate income to acquire housing who otherwise could afford it on the private market. Part of that subsidy, then, pays for the increased taxes resulting from the increased unit size. Indeed, a rather circuitous method for the senior levels of government to use to transfer revenue to the municipality! Surely the more socially useful approach would be to permit municipal participation in income tax revenues.

This is not the first study to remark upon the fiscal plight of Canadian municipalities. A Parliamentary Committee reviewing the Canadian constitution recently observed:[11]

[11] *Report of the Special Joint Committee of the Senate and House of Commons, op. cit.*, p. 59.

> Spokesmen for municipal corporations across Canada raised over and over again the financial plight of their governments. Their major concerns included: plea for greater fiscal resources, and, sometimes, transfers of taxing powers; criticism of the real property tax as too rigid a tax base; the interference with municipal priorities because of Federal and Provincial grant schemes, particularly those of the "matching" variety; and the involvement of municipalities in "provincial" services like education, welfare and housing, without adequate revenues. In terms of aggregate spending the importance of municipal governments cannot be overstated. Approximately one third of all public expenditures in Canada are made by municipalities.
>
> We are sympathetic to these financial problems. Without attempting to analyze in quantitative terms the adequacy or inadequacy of real property taxes as the basis of municipal revenues, it is apparent that they are regressive and often inequitable. The pressure of such taxes (through rents, for example) bears down on lower-income groups, and it obviously is not a user-based tax when one considers the number of older property owners who pay real estate taxes for educational purposes despite the fact that they have no children in schools. In relation to municipal expenditures, real property taxes do not have the growth potential of income taxes, and municipal representatives argue that this lack of growth potential built into real property taxation constantly puts municipalities in a fiscal bind.
>
> However, we consider it unjust that municipalities should have to rely on the property base for the bulk of their revenues, and we therefore recommend a sharing of tax fields between the different levels of government that would grant to municipalities direct access to other sources of revenue.

Municipal organization and structure is intimately related to municipal ability to develop policies responsive to the needs of special groups. The needs of the low income, in particular, are too often brushed aside in the search for aggregate perceptions of the greatest good for the greatest number. The section dealing with the municipal context detailed the need to focus on facilitating responsive policy development as a criterion for municipal reorganization. The federal government should seek to persuade the provinces to undertake, in the near future, the reorganization of their municipal governments from the perspective of increasing municipal policy development capability.

THE ROLE OF COMMUNITY GROUPS

The growing activity of community groups (in policy and program planning and in project development and operation) has been highlighted throughout the report. The groups have been most visible in the public housing, full recovery, and rehabilitation programs. They range from the individual project at the neighbourhood level through all three levels of government.

Governmental assistance to the groups has been limited to initial organizational funding and, in scattered cases, to social animation and group organizing. But the pressure many of the groups subsequently brought to bear on municipalities and provincial housing authorities regarding decisions about low income housing has led to political pressure to withhold organizational

funding and instead finance specific projects only. Working on a particular project is a long way from participation in program planning and policy development.

Commitment to consumer participation in low income housing generally — rather than isolated instances of experimentation — does not exist. Program requirements, operating procedures, organizational structures, staff recruitment, training, promotions, and so on, have not been revised to further the influence of housing consumers. Nor have substantial changes been made in policy development and formulation processes to include the consumers.

The basic rationale in favour of consumer participation has not altered. Government is extremely complex with vast bureaucracies and a plethora of programs aimed at virtually all aspects of society. Voting once every few years for a political representative is hardly an adequate vehicle to comment on specific thrusts in particular policy areas. The program analysis highlighted the need to include consumer perspectives when taking a variety of decisions, partly because it affects the social goal of decreasing the consumer's sense of powerlessness and anomie but also because it is an extremely efficient means of meeting consumer needs.

Yet all levels of government continue to seek advice and information for housing policy and program development primarily from producers — private organizations involved in the production process and other governmental officials — but not from housing users. For example, in developing annual program funding levels, CMHC regularly canvasses builders and lenders to determine their immediate plans. HUDAC staff meet monthly with the management committee of CMHC to discuss government plans. At the provincial level, several provinces have formal or informal advisory committees, composed mostly of producers, to advise on policy. The foremost example is the Ontario Housing Advisory Committee, presently chaired by a developer and composed of producers and departmental representatives, which advises the Minister on housing policy. Municipally, the advice is frequently less formal although in Toronto it is formalized by the Redevelopment Advisory Council (a self-selecting body of businessmen which advises on redevelopment issues and which is formally recognized by the City and given special access to the planning board, planning staff, and planning reports).

Program delivery is also pitched to large profit-oriented private producers and publicly-owned provincial corporations. The rationale is that this will ensure the quick delivery of a large number of units starts. The system encourages — and, indeed, relies on — repetitive, routine decision making that requires far less effort than dealing with consumer groups.

Some of the difficulties and short term inefficiencies that arise from dealing with consumers may be traced to the growing pains of the low income housing consumer movement. Development of the groups is a relatively recent phenomenon. Many organizations now operating lack broad experience; there are many more still to be formed. There is a tendency for groups to begin at the local level and expand outward, amalgamating with like organizations and establishing regional, provincial, and national associations. As the movement

grows, these linkages will develop and consumers will be in a far better position to compete with the producers for the policymakers' ears. But they will need assistance, both ongoing organizational as well as project specific. A federal Interdepartmental Committee on Participation recently recommended that:[12]

1) Governments should recognize that citizen groups tend to be disadvantaged in comparison with business/professional groups when they attempt to influence the government, and that the appropriate steps should be taken by each department to minimize that disadvantage;
2) Increased responsiveness to the efforts of citizens to influence decisions must be fostered throughout the public service;
3) A participation training program for public servants should be established;
4) The government should publicize its policy of public accessibility to government information;
5) Departmental, regional and field offices should be recognized as important links in the participation process.

We heartily concur.

12 Toronto *Globe and Mail*, March 16.

PRINCIPAL PARTICIPANTS IN THE STUDY

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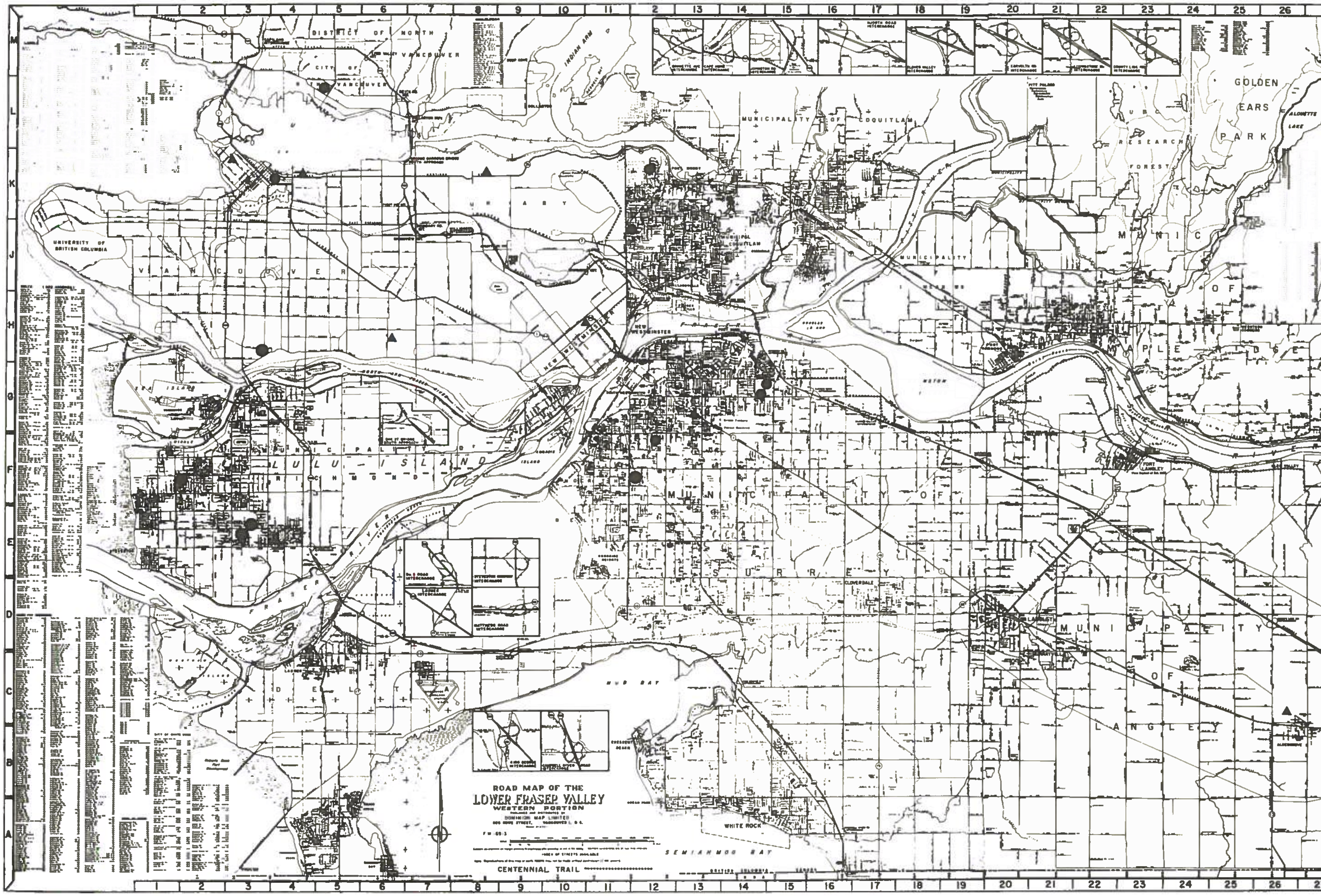
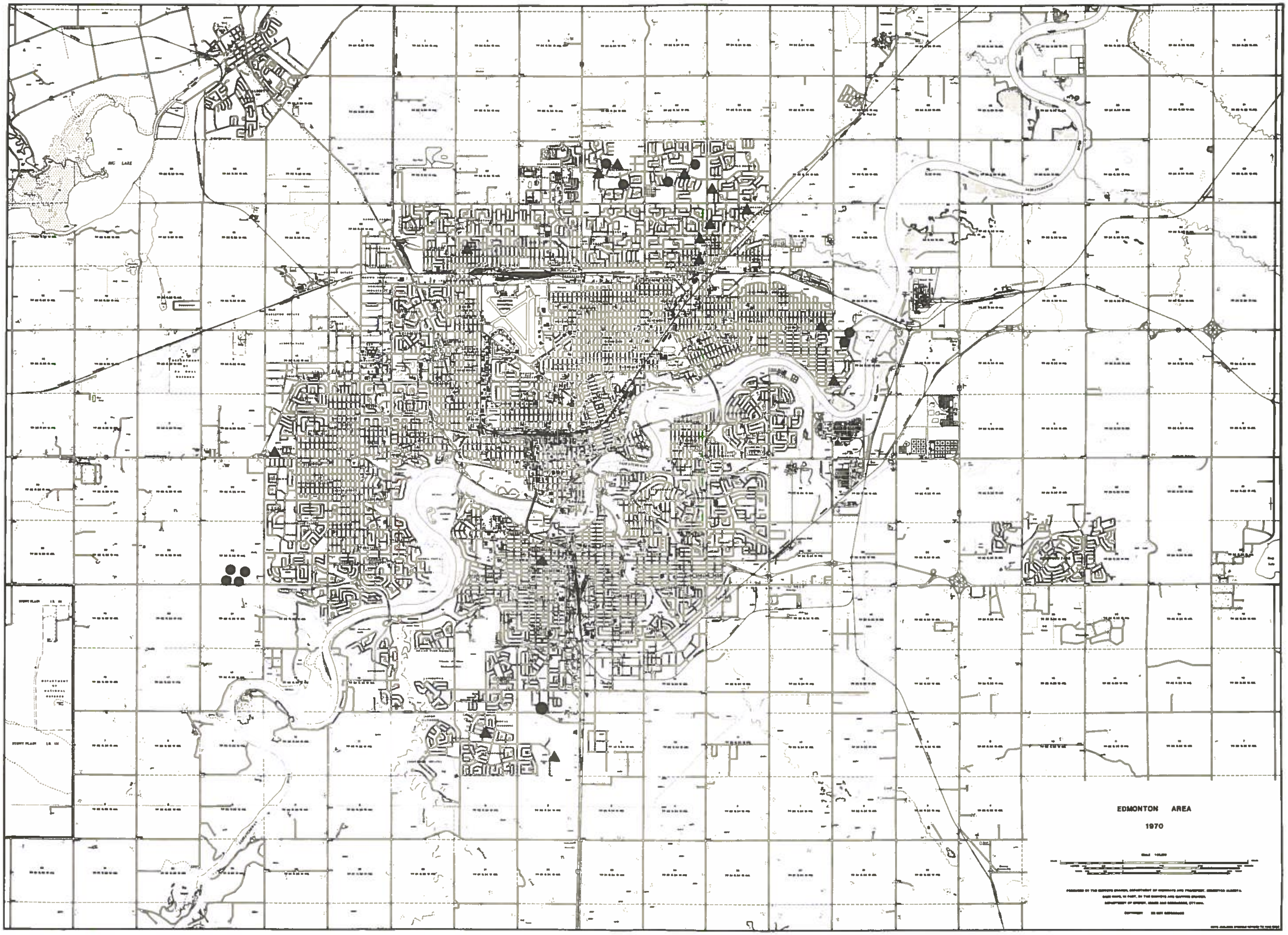
The following maps show the locations of public housing and entrepreneurial full recovery projects approved in 1970 and 1971.

▲ Public Housing Projects
● Entrepreneurial Full Recovery Project

A


ROAD MAP OF THE
LOWER FRASER VALLEY
WESTERN PORTION
DOMINION MAP LIMITED
CENTENNIAL TRAIL
DISTRICT OF NORTH VANCOUVER
CITY OF NORTH VANCOUVER
MUNICIPALITY OF COQUITLAM
GOLDEN EARS PARK
ALOUETTE LAKE
UNIVERSITY OF BRITISH COLUMBIA
VANCOUVER
NEW WESTMINSTER
LULU ISLAND
MUNICIPALITY OF RICHMOND
FRASER RIVER
MUNICIPALITY OF SURREY
CLOVERDALE
FORT LANGLEY
MUNICIPALITY OF LANGLEY
LANGLEY
MUD BAY
WHITE ROCK
SEMIAHMOO BAY
DELTA

B



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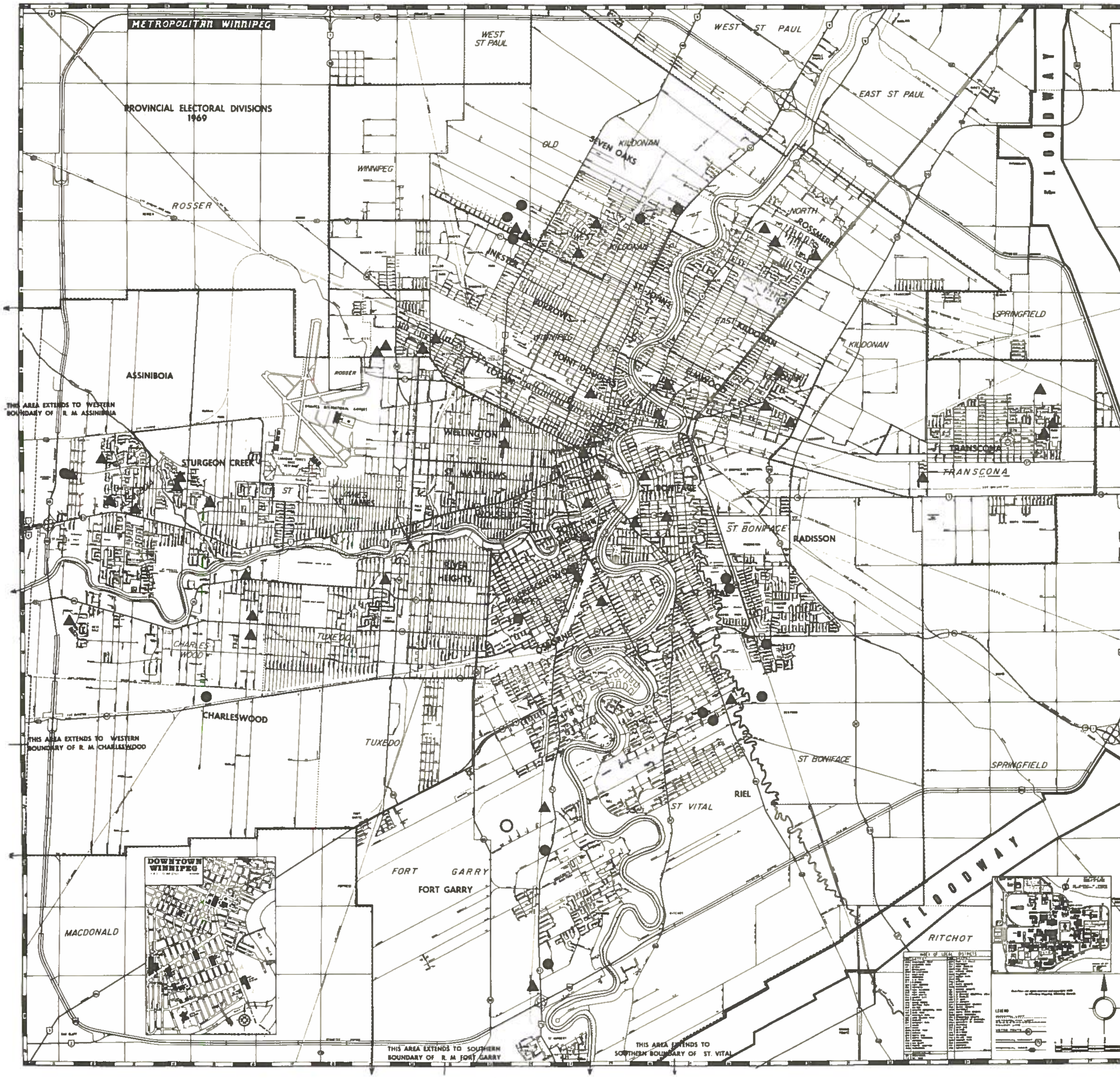
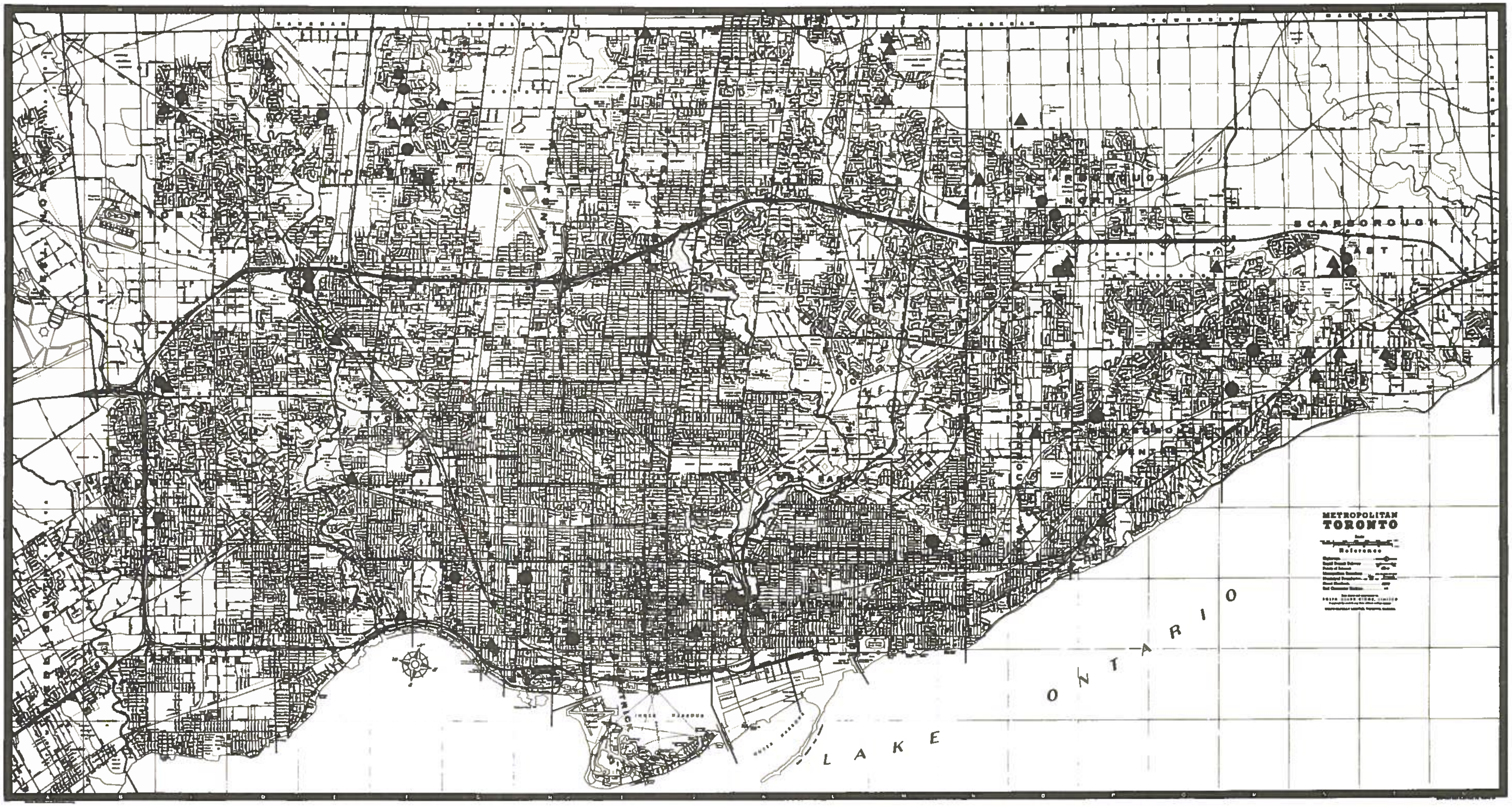


METROPOLITAN WINNIPEG
PROVINCIAL ELECTORAL DIVISIONS
1969
WEST ST PAUL
EAST ST PAUL
FLOODWAY
OLD KILDONAN
SEVEN OAKS
ROSSER
WINNIPEG
NORTH ROSSMERE
INKSTER
ST JOHNS
BURROWS
KILDONAN
SPRINGFIELD
ASSINIBOIA
THIS AREA EXTENDS TO WESTERN BOUNDARY OF R. M. ASSINIBOIA
WELLINGTON
POINT DOUGLAS
ELMWOOD
STURGEON CREEK
ST MATTHEWS
ST JAMES
TRANSCONA
ST BONIFACE
RADISSON
RIVER HEIGHTS
OSBORNE
TUXEDO
CHARLESWOOD
THIS AREA EXTENDS TO WESTERN BOUNDARY OF R. M. CHARLESWOOD
ST VITAL
RIEL
FORT GARRY
DOWNTOWN WINNIPEG
MACDONALD
RITCHOT
THIS AREA EXTENDS TO SOUTHERN BOUNDARY OF R. M. FORT GARRY
THIS AREA EXTENDS TO SOUTHERN BOUNDARY OF ST. VITAL

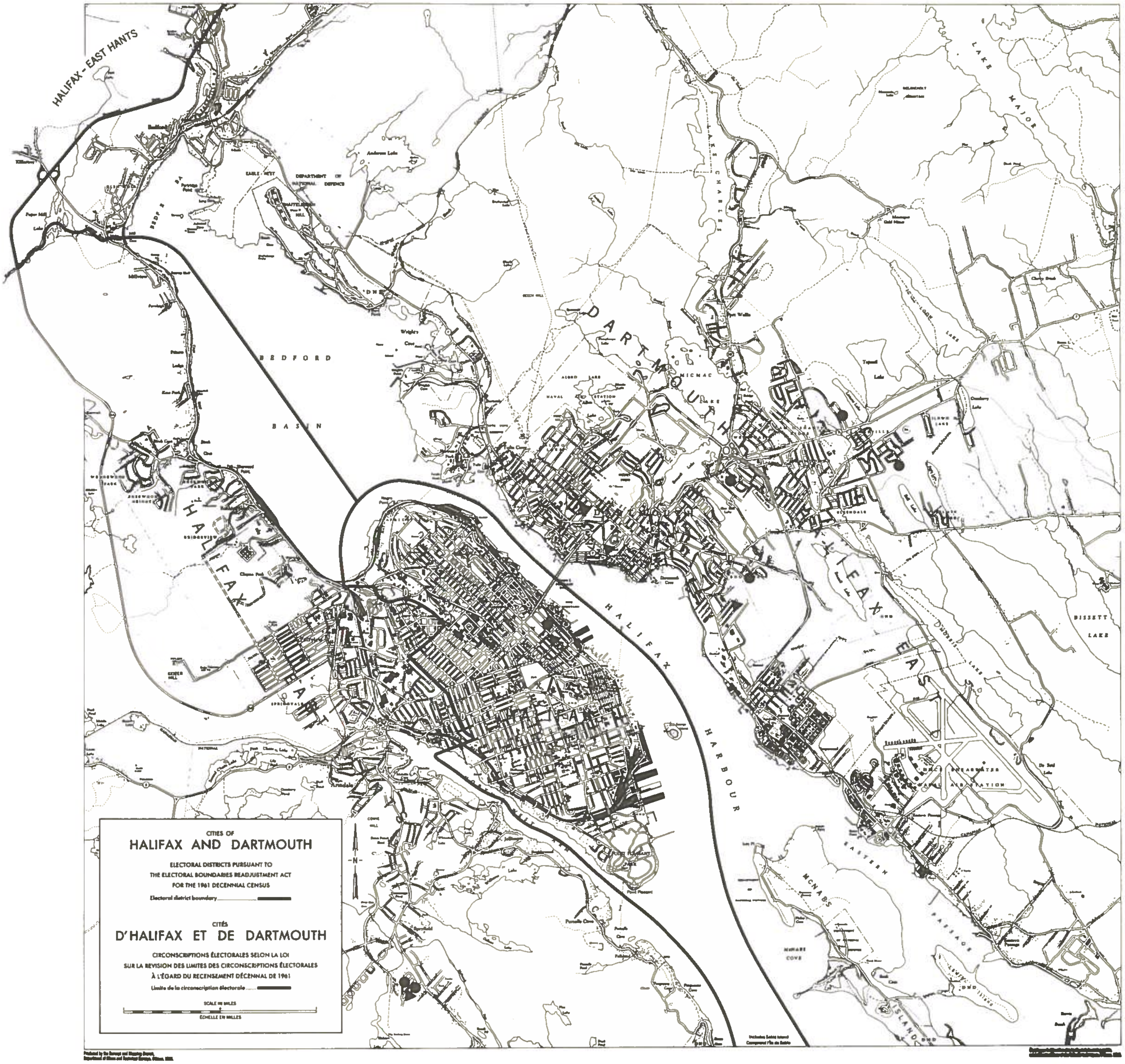
D


METROPOLITAN
TORONTO
Reference
LAKE ONTARIO
SCARBOROUGH

E


MONTRÉAL · PLUS
LAC DES DEUX MONTAGNES
LAKE OF THE TWO MOUNTAINS
LAC ST-LOUIS
FLEUVE ST-LAURENT
MONTRÉAL

F


HALIFAX - EAST HANTS
DARTMOUTH
HALIFAX
HALIFAX EAST
BEDFORD BASIN
HALIFAX HARBOUR
EASTERN PASSAGE
MCNABS ISLAND
LAKE MAJOR
LAKE CHARLES
MICMAC LAKE
BISSETT LAKE
DEPARTMENT OF NATIONAL DEFENCE
CITIES OF
HALIFAX AND DARTMOUTH
ELECTORAL DISTRICTS PURSUANT TO
THE ELECTORAL BOUNDARIES READJUSTMENT ACT
FOR THE 1961 DECENNIAL CENSUS
Electoral district boundary
CITÉS
D'HALIFAX ET DE DARTMOUTH
CIRCONSCRIPTIONS ÉLECTORALES SELON LA LOI
SUR LA REVISION DES LIMITES DES CIRCONSCRIPTIONS ÉLECTORALES
À L'ÉGARD DU RECENSEMENT DÉCENNAL DE 1961
Limite de la circonscription électorale
SCALE IN MILES
ÉCHELLE EN MILLES
N